



**The World Bank**

URBAN DEVELOPMENT SUPPORT PROJECT (P147147)

REPORT NO.: RES36787

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
URBAN DEVELOPMENT SUPPORT PROJECT  
APPROVED ON JUNE 13, 2017  
TO  
MINISTRY OF FINANCE

SOCIAL, URBAN, RURAL AND RESILIENCE GLOBAL PRACTICE

SOUTH ASIA

|                           |  |
|---------------------------|--|
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**ABBREVIATIONS AND ACRONYMS**

|      |   |
|------|---|
| CIP  | Cities Investment Program                 |
| MOF  | Ministry of Finance                       |
| MS   | Moderately Satisfactory                   |
| MTR  | Mid-Term Review                           |
| MU   | Moderately Unsatisfactory                 |
| MUDH | Ministry of Urban Development and Housing |
| MUDL | Ministry of Urban Development and Land    |
| NPA  | National Procurement Agency               |
| PCC  | Provincial Capital City                   |
| PDO  | Project Development Objective             |
| SDF  | Strategic Development Framework           |
| UDSP | Urban Development Support Project         |
| UMIS | Urban Management Information System       |
| XDR  | Special Drawing Rights                    |



**BASIC DATA**

**Product Information**

|  |  |
|--|--|
| Project ID<br>P147147                          | Financing Instrument<br>Investment Project Financing |
| Original EA Category<br>Partial Assessment (B) | Current EA Category<br>Partial Assessment (B)        |
| Approval Date<br>13-Jun-2017                   | Current Closing Date<br>30-Jun-2020                  |

**Organizations**

|                                 |   |
|---------------------------------|---|
| Borrower<br>Ministry of Finance | Responsible Agency<br>Ministry of Urban Development and Housing |
|---------------------------------|---|

**Project Development Objective (PDO)**

Original PDO

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

**Summary Status of Financing**

| Ln/Cr/Tf  | Approval    | Signing     | Effectiveness | Closing     | Net Commitment | Disbursed | Undisbursed |
|-----------|-------------|-------------|---------------|-------------|----------------|-----------|-------------|
| IDA-D1910 | 13-Jun-2017 | 12-Jul-2017 | 05-Oct-2017   | 30-Jun-2020 | 20.00          | 4.52      | 16.03       |

**Policy Waiver(s)**

Does this restructuring trigger the need for any policy waiver(s)?

No



## I. PROJECT STATUS AND RATIONALE FOR RESTRUCTURING

### A. Project Status

1. The Grant for the Urban Development Support Project (UDSP) was approved on June 13, 2017 and was declared effective on October 5, 2017. The Project closing date is June 30, 2020. The Project Development Objectives (PDOs) are to (i) create an enabling policy framework and enhance urban policy making capacity in relevant agencies at the national level, and (ii) strengthen city planning, management and service delivery capacity in five Provincial Capital Cities (PCCs).
2. Project implementation has been slow due to several factors, both project-specific and portfolio-wide. A major factor has been the multiple changes in leadership at the Ministry of Urban Development and Land (MUDL), formerly the Ministry of Urban Development and Housing (MUDH), including the Minister and all Deputy Ministers, as well as most Department Directors, resulting in extensive and recurring transition periods without an adequate authorizing environment to enable swift decision-making. At the policy-making and technical levels in the sector, challenges include shifting policy priorities, weaker than anticipated implementation capacity, and protracted procurement of contracts, including unanticipated delays at the review and approval stage of the National Procurement Agency (NPA) in the case of some contracts. To date, just over 20 percent of the original grant proceeds have been disbursed with only 10 months remaining before the project closing date. Despite these challenges, the current MUDL leadership has reaffirmed the Government's commitment to the UDSP PDOs and the general orientation of the project in strengthening capacity for urban development policy making at the national level and implementation at the participating provincial capital cities. A recent Mid-Term Review (MTR) mission in April 2019 carried out a detailed assessment of implementation progress and provided the basis for the Government's restructuring proposal, reflected in its letter of July 16, 2019. The status of implementation at the Component level has been mixed, including both important progress in some areas, while others lag behind, as further summarized below:
3. Component 1 - Urban Information: Urban Management Information System (UMIS). This component was designed to build an urban information system to improve data collection and analytical quality that underpins policy formulation in the sector. Among other anticipated developments, it is expected to provide critical inputs to the determination of performance grants to municipalities under the newly adopted Municipal Incentive Fund (MIF), a new central governmental fiscal transfer mechanism to municipalities established under the amended Municipality Law (October 2018). All deliverables of the consultant have been of high quality and submitted in a timely manner. The Functional Assessment and Technical Design has been completed for the overall UMIS. For its part, the Government has established a new UMIS Division within MUDL with the purpose of overseeing UMIS operations, developing plans for data collection and monitoring, and instituting analytical tools for usage in formulating policies and allocating resources under the MIF. Because operation of the fully-designed UMIS will not be possible within the existing project closing date, an Action Plan has been prepared and endorsed by key stakeholders that will enable full functional operability of a Municipal Finance Performance module that will support decision-making for the MIF.
4. Component 2 – Urban Institutions: Institutional and Capacity Development. This component is organized around four policy workstreams that consist of (i) Affordable Housing, (ii) Municipal Finance, (iii) Urban Planning and Land Use Management, and (iv) Urban Regeneration. Four counterpart Working Committees have been established to review and revise consultant recommendations and ultimately recommend adoption to higher level policy makers. The Affordable Housing Supply, Municipal Finance, and Urban Planning Functional Review assignments have generated excellent policy recommendations and guidance that the MUDL is already utilizing in restructuring the ministry and for developing new policies and capacities. Reforms include instituting a municipal performance system fostered by a new Municipal Incentive Fund linked to the UMIS for monitoring; restructuring of MUDL and provision of vital urban



planning equipment and tools under UDSP (e.g. satellite imagery) to strengthen urban planning capacity; and completion of new MUDL urban planning guidelines with terminology definitions. For each of the four workstreams an Action Plan with critical path has been adopted to be completed with consultant outputs expected before the closing date. These ongoing actions will be vital to sustaining the institutional capacity development measures that have been implemented to this point.

5. Component 3 – Urban Integration: Strengthening Urban Planning at the National and Local Level. This component supports improved urban planning through the preparation of Strategic Development Frameworks (SDFs) for five provincial capital cities. Linked to the SDFs are five-year capital investment plans intended to help develop a pipeline of investments that are aligned with the city’s land use plan and vital to the city’s medium to long term development. This contract is now under implementation since May 2019, after a substantial delay in the selection process, but is expected to complete all anticipated design and planning elements of the original scope of work. The component is now on track.
6. Component 4 – Urban Investments: Feasibility and Design Studies for Urban Infrastructure. This component was designed to finance the preparation of two sets of feasibility and design studies: Phase I was for Priority Investments and Phase II was for Catalytic Investments. Phase I is now under contract and likely to deliver on the outputs envisaged before the current closing date. Phase II will need to be cancelled, however, as the Catalytic Investments were intended to be newly-identified investments linked to the capital investment plans of the SDFs in five cities. Because of the delay in the contracting of the SDF assignment, this work will no longer be possible. However, all investments will be financed under the follow-on Cities Investment Program (CIP) and any cost savings under CIP could cover the feasibility and design studies for the Catalytic Investments.
7. Because of the delays in implementation, the MTR Implementation Supervision Report (ISR) downgraded the PDO and Implementation Progress ratings from Moderately Satisfactory (MS) to Moderately Unsatisfactory (MU) in July, as there is insufficient time to implement the project as currently designed within the existing closing date. After restructuring, however, the project will be eligible for upgrading to MS again based on subsequent progress made in implementation of Components 3 and 4 and the cancellation of some activities and financing that will enable the project to meet its PDOs by the June 30, 2020 closing date. Environmental and Social Safeguard ratings remain Satisfactory and Fiduciary ratings are MS for Financial Management and MU for Procurement, which will be eligible for upgrading following restructuring due to recent improvements in meeting required procurement steps within the Action Plan.

## **B. Rationale for Restructuring**

8. Significant implementation delays, largely due to MUDL restructuring, changing personnel, and shifting policy priorities, has resulted in the need to narrow down and focus UDSP on the areas of institutional and policy reforms where there is strong Government ownership at this time. The Government’s request for restructuring, received in its letter of July 16, 2019, included a strong commitment to UDSP, while reducing the scope of several activities and cancelling some project financing to ensure a narrower and more concerted focus on its current policy priorities that would be achievable by the project closing date. This request is both practical and prudent and will put UDSP in a position to deliver on a set of very important commitments that are vital in the urban sector. The restructuring will help to better focus the retained project activities towards achieving the project PDOs, which are more critical now given the enactment of the new Municipal Law and the fact that the retained activities remain highly relevant and fully owned by the Government.

## **II. DESCRIPTION OF PROPOSED CHANGES**



9. **Retaining the Original Closing Date and Revising Component Activities.** In light of the forgoing, the proposed restructuring of UDSP would retain the original closing date of June 30, 2020, while reducing the ambition and scope of activities to what is achievable in the remaining implementation timeframe<sup>1</sup>. The revisions would include: (i) Component 1: reducing the scope of the UMIS to the Municipal Finance module only and eliminating the updating of the UMIS in subsequent years, as it will not be necessary since its set-up will be finalized just prior to the closing date; (ii) Component 3: revising the term "Strategic Development Plans" to "Strategic Development Frameworks," in line with the Government's preferred terminology; Component 4: Dropping the feasibility and design studies for Catalytic Investments, as there will be insufficient time to complete them in line with the SDF Capital Investment Plans for participating PCCs that will be completed just prior to the closing date.
10. **Retaining the Original PDOs and Revising Some Performance Indicators.** While the PDOs remain valid and important to the Government, the results indicators have been adjusted to reflect the reduced scope of the UDSP, namely by reducing implementation of the UMIS to the first module on Municipal Financial Performance, linked to the Municipal Incentive Fund (MIF) established by the October 2018 amended Municipal Law; cancelling the preparation of Catalytic Investments linked to the SDF Capital Investment Plans, due to an insufficient implementation timeframe; and narrowing the focus of policy and institutional reforms to areas where there is a deep-seated Government commitment and ability to accomplish the planned activities of UDSP within the project implementation timeframe.
11. **Adopting a Time-Bound Action Plan and Cancellation of Financing.** These changes have been reflected in a revised implementation schedule and time-bound Action Plan prepared by the MUDL, which was reviewed and cleared by the Bank at its MTR mission, subject to project restructuring approval. The restructuring would cancel a total amount of US\$8.53 million, while adhering to a time-bound and realistic implementation plan for continuing implementation of the four main project components within a narrower and more realistic scope. Project results framework indicators have been adjusted to align with the proposed cancellation of financing and revised component scope. The disbursement estimate has been revised accordingly, along with the project risk rating that acknowledges increased risk at the sector strategy and policy level, given recent ministry restructuring changes. Approval of these restructuring changes will allow for the upgrading of the Project's PDO and implementation progress, and component ratings since the MTR. This is a result of the recent contracting of the key Component 3 and 4 assignments and the narrower scope of activities and financing to be utilized prior to the existing closing date. The ongoing CIP investment operation allows for sustained engagement in the sector with infrastructure financing and institutional capacity support that will help ensure progress made under UDSP is sustained and sustainable.

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<sup>1</sup> A portfolio-wide agreement has been reached between the World Bank and the Ministry of Finance (MOF) not to extend the closing date of any ongoing operation.



### III. SUMMARY OF CHANGES

|  | Changed | Not Changed |
|--|---------|-------------|
| Results Framework                            | ✓       |             |
| Components and Cost                          | ✓       |             |
| Cancellations Proposed                       | ✓       |             |
| Reallocation between Disbursement Categories | ✓       |             |
| Disbursement Estimates                       | ✓       |             |
| Overall Risk Rating                          | ✓       |             |
| Implementing Agency                          |         | ✓           |
| DDO Status                                   |         | ✓           |
| Project's Development Objectives             |         | ✓           |
| Loan Closing Date(s)                         |         | ✓           |
| Disbursements Arrangements                   |         | ✓           |
| Safeguard Policies Triggered                 |         | ✓           |
| EA category                                  |         | ✓           |
| Legal Covenants                              |         | ✓           |
| Institutional Arrangements                   |         | ✓           |
| Financial Management                         |         | ✓           |
| Procurement                                  |         | ✓           |
| Implementation Schedule                      |         | ✓           |
| Other Change(s)                              |         | ✓           |
| Economic and Financial Analysis              |         | ✓           |
| Technical Analysis                           |         | ✓           |
| Social Analysis                              |         | ✓           |
| Environmental Analysis                       |         | ✓           |

### IV. DETAILED CHANGE(S)



| <b>COMPONENTS</b>             |                             |               |  |                              |
|-------------------------------|-----------------------------|---------------|--|------------------------------|
| <b>Current Component Name</b> | <b>Current Cost (US\$M)</b> | <b>Action</b> | <b>Proposed Component Name</b>   | <b>Proposed Cost (US\$M)</b> |
|                               |                             |               | 5. Project Management and Administration   |                              |
|                               |                             |               | 1. Urban Information - Building an Urban Management Information System           |                              |
|                               |                             |               | 2. Urban Institutions - Institutional and Capacity Development                   |                              |
|                               |                             |               | 3. Urban Integration - Strengthening Urban Planning at National and Local Levels |                              |
|                               |                             |               | 4. Urban Investments - Feasibility and Design Studies for Urban Infrastructure   |                              |
|                               |                             |               | 5. Project Management and Administration   |                              |
|                               |                             |               | 1. Urban Information - Building an Urban Management Information System           |                              |
|                               |                             |               | 2. Urban Institutions - Institutional and Capacity Development                   |                              |
|                               |                             |               | 3. Urban Integration - Strengthening Urban Planning at National and Local Levels |                              |
|                               |                             |               | 4. Urban Investments - Feasibility and Design Studies for Urban Infrastructure   |                              |
|                               |                             |               | 5. Project Management and Administration   |                              |
| <b>TOTAL</b>                  | <b>0.00</b>                 |               |  | <b>0.00</b>                  |



### CANCELLATIONS

| Ln/Cr/Tf      | Status     | Currency | Current Amount | Cancellation Amount | Value Date of Cancellation | New Amount   | Reason for Cancellation          |
|---------------|------------|----------|----------------|---------------------|----------------------------|--------------|----------------------------------|
| IDA-D1910-001 | Disbursing | XDR      | 14,800,000.00  | 6,174,800.00        | 16-Jul-2019                | 8,625,200.00 | LOAN RESTRUCTURING, COST SAVINGS |

### REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

|                               | Current Allocation   | Actuals + Committed                              | Proposed Allocation | Financing % (Type Total) |          |
|-------------------------------|----------------------|--|---------------------|--------------------------|----------|
|                               |                      |  |                     | Current                  | Proposed |
| IDA-D1910-001   Currency: XDR |                      |  |                     |                          |          |
| iLap Category Sequence No: 1  |                      | Current Expenditure Category: GDS,NCS,CS,TRG,IOC |                     |                          |          |
|                               | 14,800,000.00        | 1,443,516.80                                     | 8,625,200.00        | 100.00                   | 100.00   |
| <b>Total</b>                  | <b>14,800,000.00</b> | <b>1,443,516.80</b>                              | <b>8,625,200.00</b> |                          |          |

### DISBURSEMENT ESTIMATES

Change in Disbursement Estimates  
Yes

| Year | Current | Proposed     |
|------|---------|--------------|
| 2017 | 0.00    | 0.00         |
| 2018 | 0.00    | 1,816,770.00 |
| 2019 | 0.00    | 2,700,000.00 |
| 2020 | 0.00    | 6,953,230.00 |
| 2021 | 0.00    | 0.00         |



**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

| <b>Risk Category</b>   | <b>Rating at Approval</b> | <b>Current Rating</b> |
|--|---------------------------|-----------------------|
| Political and Governance                                     | ● High                    | ● High                |
| Macroeconomic  | ● High                    | ● High                |
| Sector Strategies and Policies                               | ● Moderate                | ● High                |
| Technical Design of Project or Program                       | ● Moderate                | ● Moderate            |
| Institutional Capacity for Implementation and Sustainability | ● Substantial             | ● Substantial         |
| Fiduciary  | ● Substantial             | ● Substantial         |
| Environment and Social                                       | ● Moderate                | ● Moderate            |
| Stakeholders   | ● Moderate                | ● Moderate            |
| Other  | ● High                    | ● High                |
| Overall  | ● High                    | ● High                |



**Results framework**

COUNTRY: Afghanistan

URBAN DEVELOPMENT SUPPORT PROJECT

**Project Development Objectives(s)**

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

**Project Development Objective Indicators by Objectives/ Outcomes**

| Indicator Name  | DLI  | Baseline | End Target |
|---|--|----------|------------|
| <b>Create an Enabling Policy Framework and Enhance Urban Policy Making at the National Level</b>    |  |          |            |
| National Urban Policies for Housing Supply and Municipal Financial Performance Formulated. (Yes/No) |  | No       | Yes        |
| <i>Action: This indicator has been Revised</i>  | <i>Rationale:<br/>Project implementation delays resulting from MUDL restructuring, coupled with policy shifts of the new administration, have led to a decision to focus policy reforms in two key areas -- housing supply and municipal financial performance. This narrower focus has greater political ownership and commitment and is more reasonable, given the limited remaining timeframe of the project.</i> |          |            |
| National urban development planning framework in place (Yes/No)                                     |  | No       | Yes        |
| <i>Action: This indicator has been Marked for Deletion</i>  | <i>Rationale:<br/>The project's limited implementation timeframe and a shift in policy orientation following MUDL restructuring has resulted in a lower priority for urban development planning reforms.</i>   |          |            |
| <b>Strengthen City Planning, Management and Service Delivery</b>                                    |  |          |            |



| Indicator Name   | DLI | Baseline | End Target |
|--|-----|----------|------------|
| Number of direct beneficiaries from the Project at the five PCCs (Number (Thousand))                               |     | 0.00     | 1,500.00   |
| Number of Participating cities that have prioritized Capital Investment Plans to enhance service delivery (Number) |     | 0.00     | 5.00       |

### Intermediate Results Indicators by Components

| Indicator Name  | DLI   | Baseline | End Target |
|---|---|----------|------------|
| <b>1. Urban Information - Building an Urban Management Information System</b>   |   |          |            |
| Municipal Finance Performance Database established at the national level. (Yes/No)                                    |   | No       | Yes        |
| <b>Action: This indicator has been Revised</b>  | <p><b>Rationale:</b><br/>Implementation delays and shifting Government policy priorities have resulted in a need to focus the UMIS on core areas where policy reform efforts are a priority. The Government has made a prudent decision to focus its policy reform efforts in the urban sector rather than pursuing multiple reform agendas at the same time. The Government's recent adoption of a Municipal Incentive Fund requires a robust data collection and analysis effort, which is where the UMIS will focus under this first module. Subsequent rollout out of the UMIS is envisaged following successful implementation of the UMIS Municipal Finance Performance module.</p> |          |            |
| Number of participating cities that have conducted a gender-based assessment of access to municipal services (Number) |   | 0.00     | 5.00       |
| <b>2. Urban Institutions - Institutional and Capacity Development</b>   |   |          |            |
| Planning Functional Review & Capacity Building Action Plan completed and under implementation (Yes/No)                |   | No       | Yes        |



| Indicator Name  | DLI  | Baseline | End Target |
|---|--|----------|------------|
| <b>3. Urban Integration - Strengthening Urban Planning at National and Local Levels</b>   |  |          |            |
| Number of participating cities with Local Strategic Development Frameworks (Number)   |  | 0.00     | 5.00       |
| <b>4. Urban Investments - Feasibility and Design Studies for Urban Infrastructure</b>   |  |          |            |
| Number of participating cities with pipeline of tender-ready priority infrastructure projects. (Number)                                   |  | 0.00     | 5.00       |
| <b>Action: This indicator has been Revised</b>  | <b>Rationale:</b><br><i>Because of the delay in contracting the consultant preparing the Sustainable Development Frameworks (SDF) for the five Provincial Capital Cities under Component 3, there is insufficient time to identify and prepare Catalytic Investments linked to the SDF prior to the closing date of UDSP. Accordingly, the indicator has been modified to reflect only the preparation of priority investments under UDSP, which is now under contract in Component 4.</i> |          |            |
| Number of participating cities proposing at least one priority project for women in their Strategic Development Frameworks (SDF) (Number) |  | 0.00     | 5.00       |



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