PROJECT INFORMATION DOCUMENT (PID)
PRE-APPRaisal STAGE

Report No.: AB6889

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Afghanistan Rural Access Project</th>
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</thead>
<tbody>
<tr>
<td>Region</td>
<td>SOUTH ASIA</td>
</tr>
<tr>
<td>Sector</td>
<td>Roads &amp; highways (96%); central government administration (4%)</td>
</tr>
<tr>
<td>Project ID</td>
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<tr>
<td>Borrower(s)</td>
<td>ISLAMIC REPUBLIC OF AFGHANISTAN</td>
</tr>
<tr>
<td>Implementing Agencies</td>
<td>Ministry of Rural Rehabilitation and Development and Ministry of Public Works</td>
</tr>
<tr>
<td>Environment Category</td>
<td>[ ] A [X] B [ ] C [ ] FI [ ] TBD (to be determined)</td>
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<tr>
<td>Date PID Updated</td>
<td>April 19, 2012</td>
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<tr>
<td>Date of Appraisal Authorization</td>
<td>April 18, 2012</td>
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<tr>
<td>Date of Board Approval</td>
<td>June 26, 2012</td>
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1. Country and Sector Background

Since 2002, Afghanistan has made remarkable progress in many areas such as health, education, micro-finance, irrigation and rural livelihoods, as well as sound macro-economic management and gradual improvements in public financial management, aided by radical reform of the customs administration. Nevertheless, the country’s environment remains very challenging. Governance and administrative capacity remains weak and the rule of law has yet to be widely institutionalized. Widespread poverty and low human development indicators persist. In particular, the country’s cereal harvest self-sufficiency rate remains low. Moreover, difficulties in importing wheat from neighboring countries make recurrent food shortages a threat. Access to electricity is still among the lowest in the world and much more needs to be done to increase rural productivity. Generally development needs remain vast.

The Bank’s main objective is to sustain and accelerate the progress made so far in many areas of state building and service delivery, which constitute significant platforms for improving livelihoods and building government credibility.

Two decades of civil war had done severe damage to the Afghanistan road network at all levels: main highways and local access roads. As the nation started to emerge from the conflict in 2001, only a tenth of the estimated 130,000 km of major and rural roads network at that time was in good condition. Rehabilitation of the core network, while creating quick employment, has been the government’s priority that underpinned the then transitional strategy to consolidate peace and stability. By virtue of its labor-intensive nature, rural roads rehabilitation was considered crucial to generate significant employment opportunities while opening up the isolated rural areas to basic services. In view of this, the Government formulated the National Emergency Employment Program (NEEP), a flagship program for creating short-term employment through restoration of the dilapidated rural infrastructure. After paving the way to other employment-generation initiatives to emerge, NEEP evolved into the National Rural Access Program (NRAP) from 2005 to now, with a strong focus on provision of all-season access to basic social services for the rural
population. The World Bank, through IDA and the Afghanistan Reconstruction Trust Fund (ARTF), has been supporting the two programs, through five financing operations, starting from emergency funding with a primary objective of creating employment in rural areas, and working up to more extensive involvement in building institutional capacity in the two ministries responsible for the sector, the Ministry of Rural Rehabilitation and Development (MRRD) for tertiary roads, and the Ministry of Public Works (MPW) for secondary roads; coordinated by the Ministry of Finance. The most recent of these projects, NERAP, is currently in its fourth year and is due to be completed in 2013. In parallel, US-AID and the Asian Development Bank (ADB) have focused their financing on major highways, with a view to restoring the national-level ring highway that links all major cities and main border crossing points.

The Bank’s policy dialogue with the Afghan Government has also addressed the keen interest of Central Asian governments (all landlocked) to see trade corridors opened to ports on the Indian Ocean. The ADB has been supporting this multi-country dialogue through its Central Asia Regional Economic Cooperation initiative. In this connection the Afghan government recently commissioned a railways master plan, which has examined, at strategic level, the options for developing a railway network for the benefit of the Afghan economy, as well as serving the transit interests of Central Asia. Interest in this concept was heightened in 2010 by announcement of substantial mineral deposits in large areas of northern and central Afghanistan, for which—at least in the longer run—export by rail would be less costly than road transport.

In parallel the government of Afghanistan has asked the Bank to continue its support to its National Rural Access Program. This program finances maintenance, rehabilitation and minor improvement of secondary and tertiary roads throughout Afghanistan. In November 2010 the Bank approved additional financing for the on-going NERAP operations in 2012 and 2013, at a level of about 350 km per year by each of the two ministries. The proposed project would help the Government to strengthen its institutional capacity for managing operations and thus, by the time the project is completed, to scale up its level of activity by a factor of three or more.

The NERAP Mid-Term Review, conducted in April-May 2010, found that the two implementing agencies had developed basic systems and capacity for delivering this program, albeit with delays and at a higher cost than planned. The main reasons for the higher costs were the absence of appropriate road design standards that meet the minimum needed to ensure all-season access and the eventual adoption of higher road standards; and increased unit costs due to deterioration of the security situation. The upward creep in design applied particularly to secondary roads. As a legal covenant to the financing agreement that provided the additional financing to NERAP, the two ministries agreed on the merits of adhering to design standards that would deliver basic access at a minimum cost, so that a given budget would allow the greatest possible number of communities to benefit.

The main challenge of the scaling up has been to develop business models for subproject identification and prioritization, design and appraisal (including application of safeguards), as well as standardized institutional models for appraisal and implementation, that devolve certain functions down from the central level to lower administrative levels and substantial strengthening of the central government teams to manage and oversee the lower-level staff. Progress in this direction has so far been only limited.
In parallel, the Bank has engaged MRRD and MPW in dialogue about how best to ensure that funds intended for basic rural access are not diverted to upgrading of existing roads that already carry significant traffic. Save for a few exceptions to be included in this project, secondary roads that warrant substantial upgrading (as opposed to maintenance and minor upgrading) will be addressed through other projects.

2. **Project Objective**

The Project’s Development Objective (PDO) is to enable rural communities to benefit from all-season road access to basic services and facilities.

**Key Results:** The project aims to increase the population living within 2km of all season roads; to reduce travel time to essential services; to increase the numbers of trips to essential services.

During appraisal quantitative targets for these outcomes will be developed and agreed, in the light of experience under the on-going project.

3. **Rationale for Bank Involvement**

The National Rural Access Program is a government-owned national priority program and is closely aligned with the Afghanistan National Development Strategy, the IDA’s Interim Strategy for Afghanistan, and the ARTF Financing Strategy endorsed by all ARTF donors.

4. **Description**

The project will consist of three parts: (a) improvement and maintenance of secondary roads; (b) improvement and maintenance of tertiary roads, and; (iii) program planning and development; institutional strengthening; and program coordination support.

1. **Component A: Improvement and maintenance of secondary roads ($182 million):** MPW will implement this component, focusing on about 1,020 km of secondary roads, comprising about 760 km of unpaved roads (gravel surface) and 260 km of paved roads (bituminous surface). It will also include routine and periodic maintenance, as well as spot improvements, of the priority rural road network, and construction of bridges to improve the connectivity of communities living in barely accessible rural areas. MPW has applied socio-economic parameters to objectively prioritize the gravel road links proposed by the communities, local governments and parliamentarians for financing under this project. The design of gravel roads will follow the rural roads standards set by the Government for basic access. The paved roads will be designed to higher standards based on economic justifications. A long list of priority road links has been drawn up. It will be narrowed down on the basis of simple economic analysis.

2. Given the limited funding and capacity to maintain the maintainable network, a quick condition survey will be conducted to prioritize the network that will be included for maintenance under the project. Institutional strengthening and capacity building programs for

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1 3.5m roadway and 0.5-1.5m shoulders
2 6m roadway (bituminous surface) and 1m shoulders (gravel)
MPW will also be included, aimed at decentralization of management functions to regional offices, promoting performance-based routine maintenance contracting, and outsourcing design and supervision to the private sector.

3. **Component B: Improvement and maintenance of tertiary roads ($130 million):**

MRRD will improve about 1,500 km of the tertiary road network, carry out routine and periodic maintenance on about 5,000 km of priority tertiary road links, and construct bridges totaling about 1,600 linear m in length. The tertiary road network in Afghanistan is estimated at 80,000 km, of which only about 7,000 km (rehabilitated/upgraded under NEEP/NRAP) are accessible to motor vehicles in all seasons. However, the remaining estimated 73,000 km of tertiary roads are tracks mostly inaccessible to motor vehicles. Among the 7,000 km network accessible to motor vehicles all year, an estimated 5,000 km are believed to be in maintainable state, while the remaining 2,000 km are in poor condition and need rehabilitation. This component supports routine and periodic maintenance of about 5,000 km of maintainable road links, a critical intervention to ensure that the investments made under NRAP are well preserved. Similar to the secondary roads, the tertiary roads are being selected for improvement based on pre-defined criteria. A road condition survey will also be carried out to generate the data required to identify and prioritize candidate tertiary road links to be included in the routine and periodic maintenance programs. The on-going project (NERAP) is piloting routine maintenance by contracting works directly to the communities along the road. As implementation unfolds, the experience gained will inform the design of the current project. Experience of other countries is being explored, including quasi output- and performance-based contracting, customized to suit the local setting.

4. The component will also include construction of new bridges to improve connectivity to isolated communities in remote areas. In addition, institutional strengthening and capacity building programs will be included for MRRD, aimed at decentralization of management functions to regional offices, promoting performance-based routine maintenance contracting, and outsourcing design and supervision to the private sector.

5. **Component C: Institutional strengthening, program development, and monitoring and evaluation ($13 million):** To achieve institutional sustainability for managing the road network, cross-cutting institutional strengthening activities launched under NERAP will be continued, such as network planning, a development and management system, design standards, and a cost estimation system. It also includes new capacity building initiatives in the areas of financial management, maintenance contracting, research and development and outsourcing of some government functions. MRRD and MPW will each be responsible for the various activities they are undertaking individually, while ensuring close coordination with each other, facilitated by a National Coordination Unit (NCU). The activities under this component include:

   (i) Strengthening network planning, development and management system;
   (ii) Developing a comprehensive system for rural road design standards and cost estimation, and research and development;
   (iii) Developing a road inventory and condition inventory;
   (iv) Developing capacity for in-house financial management;
   (v) Monitoring and evaluation, mid-term review, technical audit and preparation of a possible follow-on project.
5. **Financing**

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<th>Source</th>
<th>($)m</th>
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<td>BORROWER/RECIPIENT</td>
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<tr>
<td>IDA Grant</td>
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<td>Afghanistan Reconstruction Trust Fund</td>
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<td><strong>Total</strong></td>
<td><strong>325</strong></td>
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6. **Implementation**

Under the previous Bank-supported rural road projects the implementing ministries relied heavily on UNOPS to manage program implementation. The government has affirmed a strong interest to take on more implementation responsibility than it did under NERAP. The Bank supports this aspiration, which is a necessary step to institutional sustainability for the rural access program. The only way to scale up the program to meet the needs will be to build capacity at regional and provincial level, revising the role of the central administration from direct involvement in operations to one of strategic planner and budget manager, program overseer and evaluator. It requires that the ministries responsible reorganize to empower their regional and provincial staff, and train them accordingly, to improve their decision making capacity.

It is now agreed that the ministries will gradually take back several functions from UNOPS. In particular they will strengthen their own capacity for procurement and financial management, all the time mindful of their responsibility to the donors for competent management, accountability and transparency. The shift of functions will have further advantages: ministry staff will cost far less than the international staff hired by UNOPS, and they will be able to supervise implementation in the provinces more closely – UNOPS staff are constrained by UN security rules as to travel outside Kabul.

7. **Sustainability**

Three factors may have critical impact on the sustainability of the project benefits: sustainable funding support for road maintenance works; capacity building in the implementing agencies to plan and manage the maintenance program of the road networks; and capacity building of the private sector contractors and communities to execute road maintenance works. The project will address these factors.

8. **Lessons Learned from Past Operations in the Country/Sector**

Key lessons learned from operations in a fragile state such as Afghanistan, and from the implementation of the on-going NERAP, include:

- Project implementation in this semi-conflict environment requires a high measure of (a) flexibility in terms of deployment and re-deployment of staff; (b) good understanding of local social structures and ability to work with community leaders to ensure access to project sites and security; (c) good capacity to manage and supervise community-based contracting, which, in volatile areas, may be the most appropriate
solution; and (d) visible benefits to the population are key to project success and should be achieved through short lead times, employment creation, and quality infrastructure.

- High rotation of staff on both the client’s side and the Bank’s increases the need for robust fiduciary systems. At the same time it is difficult to attract to the country quality staff that can put in place and update such systems.

9. **Safeguard Policies** (including public consultation)

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<td>Environmental Assessment (OP/BP 4.01) - Partial Assessment</td>
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<td>Projects in Disputed Areas (OP/BP 7.60)</td>
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10. **Factual Technical Documents**

- Afghanistan National Development Strategy (SY1387-91) –Transport and Civil Aviation
- National Emergency Rural Access Project – *Technical Annex*
- NRAP Annual Progress Report, Solar Year 1389 (March 21, 2010-March 20, 2011)
- Government of Afghanistan, Ministry of Economy and World Bank *Poverty Status in Afghanistan: A Profile based on the National Risk and Vulnerability Assessment (NRVA) 2007/08*. Kabul: Ministry of Economy, July 2010

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