



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 29-May-2019 | Report No: PIDC26368

**BASIC INFORMATION****A. Basic Project Data**

Country Afghanistan	Project ID P169970	Parent Project ID (if any)	Project Name Afghanistan Water Supply and Sanitation Services and Institutional Support Program (P169970)
Region SOUTH ASIA	Estimated Appraisal Date Jan 22, 2020	Estimated Board Date Mar 31, 2020	Practice Area (Lead) Water
Financing Instrument Investment Project Financing	Borrower(s) Islamic Republic of Afghanistan	Implementing Agency Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC)	

**Proposed Development Objective(s)**

The proposed Project Development Objective (PDO) is to improve access and quality of water supply service in Kandahar city and selected peri-urban areas, and strengthen the performance of AUWSSC and Kandahar utility.

**PROJECT FINANCING DATA (US\$, Millions)****SUMMARY**

<b>Total Project Cost</b>	230.00
<b>Total Financing</b>	230.00
<b>of which IBRD/IDA</b>	50.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Grant	50.00

**Non-World Bank Group Financing**

Trust Funds	180.00
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Afghanistan Reconstruction Trust Fund

180.00

Environmental and Social Risk Classification

High

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

## B. Introduction and Context

### Country Context

1. **Afghanistan is a poor, fragile and conflict-affected country.** Decades of near-constant strife have undermined the country's human and economic development, its social and ethnic cohesion, the capacity of its government institutions and the rule of law. The per capita GDP is only US\$ 586 (2017) and has *declined* by an average of 0.4 percent over the past five years. Poverty is deep and widespread. The Afghanistan Living Conditions Survey 2016-7 (ALCS 2016-17) found that over 55 percent of the population was living under the national poverty line – a major deterioration from an already high 39 percent in 2011. The country remains predominantly rural, with just 23.7percent of the total population of 31.6 million<sup>1</sup> living in cities. However, accelerated by conflict, this is changing rapidly with urban population growth averaging over 3.8 percent over the past five years, nearly a percent higher than in rural areas.<sup>2</sup>

2. **The country is undergoing a difficult adjustment following the reduction of international forces after 2011.** The Government of the Islamic Republic of Afghanistan (GoIRA) continues to pursue an ambitious reform agenda but is facing numerous political challenges as it confronts an on-going insurgency and humanitarian crisis. Armed conflict in Afghanistan has claimed the lives of over 28,000 civilians and injured more than 52,000 people between 2009 and 2017; and civilian casualties spiked in 2018. The violence has led to an internally displaced population of over 1.2 million. The GoIRA has relied on large aid flows to respond to these crises and support economic development. Foreign aid, however, has steadily declined since 2011, contributing to a slowdown in economic activity. Private sector development is constrained by weak institutions, inadequate infrastructure, widespread corruption and a difficult business environment.<sup>3</sup>

3. **Current political, security and economic challenges are compounded by climate change.** Afghanistan is particularly exposed to the effects of changing temperature and precipitation patterns that are likely to have significant impacts on its largely rain-fed agriculture, public health, drinking water security, ecosystems and biodiversity. The widespread poverty makes the population especially vulnerable to extreme weather events such as droughts and floods<sup>4</sup>.

<sup>1</sup> Central Statistic Organization (CSO) report 2018-19.

<sup>2</sup> World Bank, World Development Indicators.

<sup>3</sup> Afghanistan was ranked 177<sup>th</sup> of 180 countries in the 2017 Corruption Perception Index, and 183<sup>rd</sup> of 190 in the 2017 Doing Business Survey.

<sup>4</sup> The report "Climate Change in Afghanistan – What Does it Mean for Rural Livelihoods and Food Security?" November 2016, points out that "(...) the four climate hazards which pose the largest risk to livelihoods in Afghanistan [are]: drought caused by reduced spring rainfall, drought caused by declining river flows due to reduced springtime snowmelt in the highlands, floods caused by increased heavy spring rainfall, and riverine floods caused by heavier and faster upstream snowmelt in the highlands" (page 4).



Interventions to improve climate change resilience and provide basic services such as safe drinking water will remain a key priority for the country.

#### Sectoral and Institutional Context

4. **Afghanistan has significant water resources despite its arid climate, but these are increasingly under stress.** The country's total actual renewable water resources were estimated at 65 billion cubic meters per year in 2014, of which about 85 percent is surface water. The water resources of Afghanistan are underutilized as only about 30 percent of the total annual water resources are used. Approximately 98 percent of the annual water withdrawals of 20 billion cubic meters are used in agriculture. Nevertheless, the total per capita annual renewable water resources have fallen over the past decades, between 1990-2017, from 5,000 cubic meters to less than 2,000.<sup>5</sup> Population growth, unregulated water use, and limited water infrastructure negatively impact the quantity and quality of available water per capita. Climate change has resulted in declining and increasingly erratic precipitation, putting additional pressure on water resources.

5. **Weak institutions, insecurity and associated low investments have constrained access to safe water and sanitation across Afghanistan.** In 2016-17, 63 percent of Afghanistan's population had access to improved water sources in 2016-17<sup>6</sup>. There are large geographical differences in access, with 90 percent of urban households having access to water supply compared to 55 percent of rural households; but only 21 percent of the urban population having access to piped water supply on premises. Data on safely managed drinking water supplies and sanitation (the metric for measuring progress on the Sustainable Development Goals [SDGs]) indicate that less than a third of the population has access to safely managed water services<sup>7</sup>. Access to sanitation lags significantly behind access to water supply. In the same reporting year, 57 percent of urban households had access to improved sanitary facilities compared to only 16 percent in rural areas. Awareness of hygiene practices is very low, which adversely affects the nutritional development of children under 5 years old. As a result of widespread, multi-dimensional poverty, the early child mortality rate<sup>8</sup> in Afghanistan is around 55 per 1,000 live births placing the country in the bottom quintile of countries globally<sup>9</sup>. Improving access to water supply and sanitation (WSS) services can hence play a significant role in tackling poverty.

6. **Significant efforts to reform Afghanistan's water sector have been undertaken over the past decade.** The Water Law (2009) and National Water Sector Strategy (2012) created a new framework for the sector, espousing the modern principles of Integrated Water Resources Management (IWRM), a fair allocation of water between sectors, watershed protection, a strong role for stakeholder participation and sustainability. The Water Law aimed to improve sector integration by establishing a Supreme Council of Land, Water and Environment (SCoLWE)<sup>10</sup> as a governing body for water resources and giving the Ministry of Energy and Water (MEW) primary responsibility for the planning, management and development of water resources. However, actual integration of decision-making in the water sector remains a challenge and the Water Law is currently being reviewed to further improve coordination between the ministries in the water sector, and to strengthen water resources management.

<sup>5</sup> FAO Aquastat Database; Renewable Water Resources per Capita

<sup>6</sup> ALCS 2016-17.

<sup>7</sup> The definition of safely managed water supply and sanitation is significantly more stringent than that of improved water sources and sanitary facilities (as used under the Millennium Development Goals). Water sources must be technically improved, within 30 minutes, available when needed, and free from contamination. National data on the latter two aspects is not generally available for Afghanistan, but the 2016-17 ALCS report cites only 36 % access to a proxy of "safely managed water" even when the water contamination characteristic is excluded.

<sup>8</sup> Children age 0-5-year-old dying per 1,000 live births.

<sup>9</sup> Central Statistics Organization (CSO), Ministry of Public Health (MoPH), and ICF. 2017. *Afghanistan Demographic and Health Survey 2015*. Kabul, Afghanistan: Central Statistics Organization.

<sup>10</sup> The SCoLWE was established in 2006 chaired by the Second Vice President. Member were MEW, MAIL, MRRD, MoUD, MoJ Land Authority, NEPA and AUWSSC. In 2015, the SCoLWE was expanded, it is Chaired by the President and members are: Chief Executive, Senior Advisors to the President, MEW, MAIL, MoMP, MOF, MOE, MOJ, MoFA, MRRD, MUDL, AUWSSC, NEPA, Representative of Civil Society, and Private Sector. In late 2018 the title changed to "Supreme Council of Land Water and Environment" (SCoLWE) with one secretariat chaired by Minister of MEW. SCoLWE meets on quarterly basis. SCoLWE review and approve land and water and environmental sectors reforms and policies, supporting and overseeing its implementation; fostering cooperation among government, private and donor institutions; resolving issues related to usurped private and government property.



7. **The Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC) was established in 2007 and the World Bank provided support to AUWSSC in the early years of its establishment.** The main objectives of AUWSSC are to ensure sustainable provision of safe drinking water supply and sewerage services to the urban population of Afghanistan. In September 2010, AUWSSC was converted to a fully corporatized urban water and sewerage utility that operates in 43 cities across Afghanistan. By 2010 the assets and liabilities of six water supply operations had been transferred from provincial towns to AUWSSC Strategic Business Units (SBUs)<sup>11</sup>. In addition, 11 water network systems in different provincial towns of Afghanistan have been established by AUWSSC as sub-SBUs (SSBUs). The Government has also adopted an Urban Water Supply and Sewerage Sector Policy and Urban Water Supply and a Sewerage Sector Institutional Development Plan.

8. **While these reforms were a step forward and provide a basis for further progress, the sector remains fragmented and marked by weak institutional capacity.** There are five river basin management agencies responsible for water management that are operating under MEW. Irrigation is primarily the responsibility of the Ministry of Agriculture, Irrigation and Livestock (MAIL); however, the MEW and the Ministry of Rural Rehabilitation and Development (MRRD) also remain engaged in irrigation with considerable overlap. Overall responsibility for urban water supply sits with the Ministry of Urban Development and Housing (MoUDH), with AUWSSC as the implementation agency. Water quality is regulated and monitored by the Ministry of Public Health (MPH), while the National Environmental Protection Agency (NEPA) regulates and monitors compliance with environmental standards for water. A National Hydrology Committee for Afghanistan (NHCA) provides advisory, research activities and capacity building support to the water sector, complementing the SCoLWE.

9. **AUWSSC has made gradual progress over the past ten years in increasing water production and piped connections in urban areas, though access remains low relative to demand.** Sustainability has improved due to efforts to raise tariffs, improve billing and detect leaks. While audited financial accounts are not available, data shared by AUWSSC indicates that the utility achieved an Operating Cost Coverage Ratio of 1.37 in 2017. This nominally positive result contrasts with low collection rates and high non-revenue water (NRW) that result in cash flow shortages highlighted in Table 1 below. Recent gains remain at risk due to corporate governance concerns, weak technical capacity and limited capital investments.

**Table 1: Key Performance Indicators for AUWSSC in 2017**

Indicator	AUWSSC
Network length (km)	4,124
Average Distribution Hours	7.01
Water Production (m <sup>3</sup> ) <sup>12</sup>	49,432,058
Water Distribution (m <sup>3</sup> )	32,061,483
Active Connections <sup>13</sup>	186,857
Water Sales (AFN)	723,656,306 [USD 9,591,340]
All Revenue (AFN) [USD, current exchange rate]	850,308,227 [USD 11,269,985]
Collections (AFN, without tax) <sup>14</sup>	421,817,819 [USD 5,590,770]
Collection Ratio (Collections / Revenues)	0.50
Operating Costs (AFN)	528,246,157 [USD 7,001,370]
Operating and Administration Costs (AFN) <sup>15</sup>	565,862,270 [USD 7,499,940]
Operating Cost Coverage Ratio (Water Billings / Operating Costs)	1.37

<sup>11</sup> The six SBUs include Kabul, Kandahar, Herat, Jalalabad, Kunduz, and Mazar.

<sup>12</sup> Data shared by AUWSSC, "AUWSSC Operation and Customer Services Data (2015-2018)".

<sup>13</sup> Kandahar figure from ADB "Water Supply Concept Design", November 2018; AUWSSC Total from "AUWSSC Operation and Customer Services Data (2015-2018)".

<sup>14</sup> Data shared by AUWSSC, "AUWSSC Receivables.xlsx", includes collections on both current bills and past dues in 2017.

<sup>15</sup> Data shared by AUWSSC, "Consolidated Profit and Loss Statement" (unaudited).



10. **As sufficient cash flow remains a challenge even in comparatively wealthy urban areas, the water sector relies on external assistance.** Numerous donors are providing investment support to the water supply and sanitation systems in the country. The support is provided by the World Bank, KfW (German Development Bank), Asian Development Bank (ADB), United States Agency for International Development (USAID), Agence Française de Développement (AFD), Swedish International Development Cooperation Agency (SIDA), Japan International Cooperation Agency (JICA), Korean International Cooperation Agency (KOICA), United Nations Development Program (UNDP) and other UN agencies and non-governmental organizations (NGOs) active in the urban space. The total bilateral donor disbursements in the water supply sector were, however, only US\$57 million in 2016, mostly for capacity building activities.

11. **The proposed series of projects (SoP) will finance capital investments to improve access to safe water in selected areas of Afghanistan and to strengthen AUWSSC's and sector capacity.** The SoP will support the principles espoused by the Water Law and national Water Sector Strategy to develop a fair and consensus-oriented program for the use of water resources and to improve access to safe water supply, working closely with existing institutions. The first project of this SoP will focus on improving access to safely managed water in the city of Kandahar and surrounding peri-urban areas, as well as on strengthening the capacity of AUWSSC and in particular its Kandahar Strategic Business Unit.

#### Relationship to CPF

12. **The proposed SoP will support key aspects of the *Afghanistan National Peace and Development Framework 2017-21*,** the GoIRA's five-year strategic plan for achieving self-reliance. This national strategy aims to "increase investments in water management" and provide basic development services, including "universal access to clean water", "strengthening municipal capacity for revenue collection and service delivery". At the sector- and provincial levels, the proposed SoP reflects the priorities of the Urban Water Supply and Sewerage Sector Institutional Policy and Development Plan.

13. **The proposed SoP is aligned with the Bank's *Afghanistan Country Partnership Framework (CPF) 2017-20*.** The SoP is fully aligned with the CPF's Pillar 1 on *Building strong and accountable institutions*, as well as Pillar 3 on *Social Inclusion*. Specifically, by financing and supporting reforms at AUWSSC in Kandahar, the first project in the SoP contributes to the CPF objective *1.1 Improved public financial management and fiscal self-reliance*, CPF Objective *1.2 Improved performance of key government institutions and municipalities* and CPF Objective *1.3: Improved service delivery through enhanced citizens' engagement with the state*. Moreover, the project will support CPF Objective *3.1: Improved human development* through the positive impacts safe drinking water supply is expected to contribute to child health and nutrition. By addressing inadequate access to basic services, and thus alleviating constraints on human- and economic development, the project supports the World Bank's twin goals of eliminating extreme poverty and promoting shared prosperity.

#### C. Proposed Development Objective(s)

14. The proposed Project Development Objective (PDO) is to improve access and quality of water supply service in Kandahar city and selected peri-urban areas, and strengthen the performance of AUWSSC and Kandahar utility.

#### Key Results (From PCN)

15. **Key PDO indicators**, to measure progress towards achievement of the PDO include are as follows, the base line and end targets will be identified during preparation.

- People provided with access to improved water sources (Corporate Results Indicator).



- Cubic meters of additional water made available
- Percentage of water quality tests that meet the required standards
- Improved operating cost coverage ratio for KSBU (percent)

**D. Concept Description**

16. The proposed program will support projects to improve the people access to water sources and sanitation services in selected areas in Afghanistan. The activities included under the proposed phase 1 project are targeting priorities for improving access, quality and reliability of water supply services, reducing water demand and NRW, optimizing operating costs with the objective to improve the AUWSSC and Kandahar Strategic Business Unit (KSBU)’s performance. The proposed project will include four components: Component 1: Water Supply Infrastructure and Efficiency Improvements; Component 2: Sector Reform, Institutional Strengthening, and Capacity Building; Component 3: Project Management and Monitoring; and Component 4: Contingent Emergency Response Component.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	TBD

Summary of Screening of Environmental and Social Risks and Impacts

As mentioned above, the projected is expected to have land acquisition and resettlement impacts, Issues such as child labor, forced labor, gender, GBV, occupational health and safety and the relatively weak capacity of the institutions which will be fully addressed in the ESIA report.

**Note** To view the Environmental and Social Risks and Impacts, please refer to the Concept Stage ESRS Document.

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**APPROVAL**

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