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Report No: PAD1075

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF US\$6 MILLION

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR A

DABS PLANNING AND CAPACITY SUPPORT PROJECT

December 10, 2015

Energy & Extractives Global Practice  
South Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective December 10 2015)

Currency Unit	=	Afghani (AFN)
AFN 1,000	=	US\$15.06
US\$ 1.00	=	AFN 66.40

## AFGHAN FISCAL YEAR

December 21 – December 20

## ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AEIC	Afghanistan Energy Information Center
APSDP	Afghanistan Power System Development Project
ARTF	Afghanistan Reconstruction Trust Fund
DABM	Da Afghanistan Breshna Moassesa
DABS	Da Afghanistan Breshna Sherkat
DO	Development Objective
EIRP	Emergency Infrastructure Rehabilitation Project
EPRP	Emergency Power Rehabilitation Project
ESSF	Environmental and Social Safeguards Framework
ESS	Environmental and Social Safeguards
IRoA	Government of Afghanistan
GWh	Gigawatt hour
IANDS	Interim Afghanistan National Development Strategy
ICR	Implementation Completion Report
IDA	International Development Association
ISDS	Integrated Safeguards Data Sheet
ISN	Interim Strategy Note
KAMPP	Kabul, Aybak, Mazar-e-Sharif Power Project
KfW	Kreditanstalt für Wiederaufbau
KV	Kilovolt
LC	Letter of Credit
LV	Low Voltage
MACA	Mine Action Center for Afghanistan
MEW	Ministry of Energy and Water
MOF	Ministry of Finance
MoU	Memorandum of Understanding
MV	Medium Voltage
MVA	Megavolts Amperes
NEPS	North East Power System

NTS	Northern Transmission System
PCB	Polychlorinated Biphenyl
PDO	Project Development Objective
PMF	Project Management Firm
PISU	Project Implementation Support Unit
QALP	Quality Assessment of the Lending Program
SDU	Special Disbursement Unit
TA	Technical Annex
USAID	United States Agency for International Development
US\$	United States Dollar

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**ISLAMIC REPUBLIC OF AFGHANISTAN**  
**DABS Planning and Capacity Support Project**

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# PAD DATA SHEET

Afghanistan

DABS Planning and Capacity Support Project (P131228)

## PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

GEEDR

Report No.: PAD1075

Basic Information			
Project ID P131228	EA Category: B	Team Leader(s) Abdul Hamid Quraishi	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ X ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date February 1, 2016	Project Implementation End Date January 31, 2020		
Expected Effectiveness Date March 1, 2016	Expected Closing Date July 31, 2020		
Joint IFC No			
Practice Manager/Manager Julia Bucknall	Senior Global Practice Director Anita Marangoly George	Country Director Robert J. Saum	Regional Vice President Annette Dixon
Borrower: Islamic Republic of Afghanistan			
Responsible Agency: Da Afghanistan Breshna Sherkat (DABS )			
Contact: Telephone No.:	Eng. Shekeeb Nessar +93 - 700 294 722	Title: Email:	Chief Operations Officer <a href="mailto:shekeeb.nessar@dabs.af">shekeeb.nessar@dabs.af</a>
Project Financing Data (in US\$, millions)			
[ ] Loan	[ ] IDA Grant	[ ] Guarantee	
[ ] Credit	[ X ] Grant	[ ] Other	
Total Project Cost:	6.0	Total Bank Financing:	6.0
Financing Gap:	0.00		
Financing Source		Amount	
BORROWER/RECIPIENT		0.00	
Afghanistan Reconstruction Trust Fund (ARTF)		6.0	
Total		6.0	

**Expected Disbursements (in US\$, millions)**

Fiscal Year	2016	2017	2018	2019	2020					
Annual	0.17	2.88	2.53	0.42	0					
Cumulative	0.17	3.05	5.58	6.0	0					

**Institutional Data****Practice Area (Lead)**

Energy &amp; Extractives (100%)

**Contributing Practice Areas****Cross Cutting Areas**

- Climate Change  
 Fragile, Conflict & Violence  
 Gender  
 Jobs  
 Public Private Partnership

**Sectors / Climate Change**

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Energy & Extractives		100		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

**Themes**

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Public sector governance (100%)		100
Total		100

**Proposed Development Objective(s)**

The project development objective is to improve DABS capacity in distribution investment planning, implementation, operation and maintenance.

<b>Components</b>		
<b>Component Name</b>	<b>Cost (US\$, millions)</b>	
Component 1: DABS staff capacity building	2.95	
Component 2: Training center development	3.05	
Unallocated:	0.0	
<b>Systematic Operations Risk- Rating Tool (SORT)</b>		
<b>Risk Category</b>	<b>Rating</b>	
1. Political and Governance	Substantial	
2. Macroeconomic	Substantial	
3. Sector Strategies and Policies	Substantial	
4. Technical Design of Project or Program	Moderate	
5. Institutional Capacity for Implementation and Sustainability	High	
6. Fiduciary	Substantial	
7. Environment and Social	Moderate	
8. Stakeholders	Moderate	
9. Other		
<b>OVERALL</b>	Substantial	
<b>Compliance</b>		
<b>Policy</b>		
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [X]
Does the project require any waivers of Bank policies?	Yes [ ]	No [X]
Have these been approved by Bank management?	Yes [ ]	No [X]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	X	
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X
Involuntary Resettlement OP/BP 4.12	X	
Safety of Dams OP/BP 4.37		X





## I. STRATEGIC CONTEXT

### A. Country Context

1. Afghanistan remains one of the least-developed countries in the world. The pace of economic recovery has been slow with real GDP growth in 2015 estimated at 1.9 percent (from an average of 9 percent during 2003-12, and 3.7 percent in 2013), largely attributed to the protracted process of political transition, a deteriorating security situation, and erosion in investor and consumer confidence. Domestic revenue declined considerably over the transition period, falling to about 8.2 percent of GDP in 2014, a level inadequate to finance the current level of spending (around 36 percent of GDP), particularly in the areas of security, service delivery, essential infrastructure, and operations and maintenance (O&M). However, domestic revenue collection increased marginally in the first half of 2015 by about 12 percent (about US\$ 820 million), due to an increase in tariffs and tax compliance.

2. Lack of security is perceived as the most important constraint for public service delivery in Afghanistan. The country continues to confront a state of fragility and conflict that is undermining economic prospects as well as social cohesion and stability. Insecurity is impacting growth and poverty by damaging human capital, constraining productive economic activities, increasing social unrest, promoting unequal access to basic services, and increasing political instability. Socioeconomic indicators continue to remain at low levels: poverty incidence nationwide was 35.8 percent in 2011-12, compared to 36.3 percent in 2007-08. The bottom 40 percent of the population commands only 21 percent of total consumption and more than 50 percent of the population risks descending into poverty.

3. International donors have committed to continue providing financial assistance to Afghanistan contingent on satisfactory reform progress. At the December 2014 London Conference, the international community reaffirmed its Tokyo commitment of providing US\$ 16 billion in development assistance for Afghanistan over 2012-15, sustaining support through 2017 at or near the levels of the past decade, and providing continuing but declining support through the “Transformation Decade” (2015-2024). These funds, would allow Afghanistan to progress toward sustainability and development of its infrastructure targets. Contingent upon a relatively stable political and security environment, the medium term economic growth outlook is projected at about 5 percent per year during 2016-18.

4. The Government’s development vision focuses on tackling corruption and building better governance, restoring fiscal sustainability, bolstering private sector confidence, promoting growth, and improving security and political stability. The Government’s development budget for 2015 has an allocation of about US\$ 2.675 billion to address the deficit in infrastructure needs in transport, energy, water, mines and petroleum sector, airports, and urban development.

5. Investments in the energy sector play a critical role in contributing to economic growth and stabilization. Indeed, getting access to electricity is a major barrier to growth in Afghanistan, which ranks only in position 141 of countries worldwide to access to electricity.<sup>1</sup> As in any country, access to modern energy services, and especially to electricity, is a key factor for fostering economic growth and equitable development. Better energy services will help meet the

objectives of the Islamic Republic of Afghanistan (IRoA) Development by stimulating job growth, production, and improving the quality of life for millions. Part and parcel to developing these services is to provide the professionals in the energy sector with the knowledge to cost effectively provide technically sound solutions.

## **B. Sectoral and Institutional Context**

6. The long lasting conflict has had a severe impact on the power sector. Generation, transmission and distribution infrastructure have suffered and needs reconstruction or overhaul. Da Afghanistan Breshna Moassesa (DABM), the state-owned power utility, lack solid management, which led to overstaffing and under-qualification of staff; poor customer service; lacking billing and collection; and below cost-recovery tariffs

7. The Afghan power system is small, fragmented and underdeveloped but demand is growing rapidly. Despite considerable progress in building power infrastructure over the last decade, the estimated grid-based electricity covers only about 20 - 25 percent of the population, mainly in the urban areas and along a few transmission corridors. At 497 kWh/year/person Afghanistan electricity consumption compares unfavorably with the South Asia average of 667 kWh/person in 2012, and the average of electricity usage world-wide at 3,100 kWh/capita in 2012. It is estimated that 91.6 percent of all customers are residential customers, and 6.6 percent are commercial customers.

8. Rural areas remain practically unserved with less than 10 percent of rural areas connected to the grid. Affordability of connections is a challenge even in urban areas, as the cost of connection to the grid by companies is 3,374 percent of the average per capita income, which compares unfavorably with overall South Asia, which is at 1,536 percent of the per capita income. The quality of access to electricity for those who are being served has improved due to an increase in reliable power from abroad. Nevertheless, 48 percent of firms own a generator to cope with unreliable power.

9. The last decade has seen considerable efforts made by GoA in increasing generation or access to generation of electricity, focusing on linking the Afghan power system with its neighbors in the North West. About 80 percent of electricity is imported from Iran, Tajikistan, Turkmenistan and Uzbekistan, and accounts for about 600MW of the capacity available in the country. Domestic diesel generators, thermal and hydropower account for about 340MW across the country.

10. The transmission system consists of about eight islands linking the different generation sources, the largest of which is the North East Power System (NEPS) which connects Tajikistan, Uzbekistan and much of Afghanistan's domestic hydropower generation with Kabul. The growth, which brings increasing dependence on imports, is viewed by some as putting at risk Afghanistan's energy independence - an increasing concern to government and civil society.

11. Sector institutions are evolving, with a gradual separation of policy and operations. The main government department responsible for the power sector in Afghanistan is the Ministry of Energy and Water (MEW). It is increasingly focused on policy, strategy, planning and regulatory issues and has taken the lead on preparation of the North East Power System (NEPS) and the Power Master Plan. Given Afghanistan's dependence on imports and external financing, MEW also leads coordination of energy issues with neighbors and donors.

12. Operations and investment are increasingly devolved to Da Afghanistan Breshna Sherkat (DABS). This shift was becoming important due to MEW's weak investment management capacity leading to continuously unsatisfactory implementation of Bank financed projects. Experience from recently closed projects revealed weak implementation progress and MEW's limited institutional capacity to execute annual budgets made available by donors (US\$ 90- US\$ 130 million). Thus, the low disbursement rate makes it challenging to request a scale up of our support to the Board and Trust Fund donors.

13. After its separation from MEW in 2009, DABS has been able to establish itself as a financially independent and commercially viable entity while remaining under state ownership. DABS has also been gradually addressing some of the issues faced during the previous set up when it was a department within MEW, such as governance structure, staffing, customer management, billing and collections. Once DABS was established, all senior managers and dozens of other technical and support staff were hired from outside, bringing new experience and capability from the private sector and from international organizations. DABS was also able to make significant progress in billing and collections by automatizing its billing system in all major cities. Initially responsible only for the daily operation of the transmission and distribution system, DABS is increasingly carrying out its own investment program. It carried out about US\$129 million of investment in the last Afghan financial year ending on December 20, 2014.

14. However, DABS needs to improve its capacity to plan and manage new investments. The majority of DABS' staff lack the appropriate level of technical qualification to run a modern power system. This makes planning and implementation of new investments, and reliable operation and maintenance of the system a critical part of the aforementioned capacity building needs, which this project aims to address

15. At the end of 2015, DABS remains reliant on project implementation units and DABS' management has asked for the World Bank's assistance to moving towards normal electric power utility practices in investment and operations and maintenance (O&M). If DABS is to meet the demands placed on it, it must build capacity of its staff through technical and other training and then ensure that these new capacities are applied to the task in hand. It needs more and better trained staff and as such needs to draw from a wider pool of educated and capable professionals, including women.

16. The World Bank has in the past provided significant support both in terms of IDA and ARTF financing and technical assistance. At present the Bank is increasing its engagements in the sector with substantial challenges in scaling up future support. Currently, Bank's ongoing engagement is a US\$75 million project aimed at rehabilitating and expanding electricity infrastructure in secondary cities. This project originally implemented by the Ministry of Energy and Water (MEW) and now shifted to DABS, followed up on two recently closed projects that addressed transmission and distribution rehabilitation.

17. Major donors directly supporting DABS include ADB, USAID, KfW and the World Bank. ADB currently has an ongoing portfolio of more than half a billion in DABS, primarily infrastructure projects. USAID's assistance has focused primarily in capacity building of DABS commercial department, although it is now expanding. KfW primarily works with MEW but has also provided capacity building assistance to DABS for the O&M of KfW funded small hydropower projects in rural area. Support to build DABS' capacity in planning and O&M of distribution system has remained a critical gap that this project aims to fill. Details of donors' capacity building support to DABS have been provided in Annex 6.

### **C. Higher Level Objectives to which the Project Contributes**

18. The proposed project contributes to several important higher-level objectives, particularly economic growth and human development. Access to improved electricity services is not only critical for improving livelihoods but also key in spurring private sector growth. The Afghanistan National Development Strategy recognized this relationship by noting "Energy is [Afghanistan's] top economic development priority, and [its] economy's hope," singling out electricity as "the motor that powers [Afghanistan's] growth." The Project also contributes to the services delivery, identified as one of the three priority areas identified in the 2015/2016 Systematic Country Diagnostic (SCD), prepared by the World Bank for Afghanistan. The proposed project will contribute to expansion and enhancement in the reliability of the energy power system and help benefit both households and industries, hence stimulating economic development and growth.

19. The Project especially targets a specific gap in the donor community's wider support to Afghanistan's energy sector, which is the capacity of DABS to sustainably maintain and expand the distribution network. The support has been prepared against the background that larger scale operations, such as the CASA transmission line and - to a smaller extent - the rehabilitation of the Naghlu hydropower plant, are set to augment the electricity supply available for Afghanistan significantly by 325 MW or 34% percent of the supply available to Afghanistan in 2014. While past operations financed with the support both by the World Bank and other donors have contributed significantly to the expansion of the distribution network, which helped increase of access to electricity by about 20 percent over the last decade, these have been challenges in sustaining this access due to an overall lack of adequate maintenance of the distribution system and know-how on how to best plan the expansion of the system. As such, the Project is part of the core of the World Bank's strategy in energy sector interventions in Afghanistan.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

20. The project development objective is to improve DABS capacity in distribution investment planning, implementation, operation and maintenance.

### **B. Project Beneficiaries**

21. The direct project beneficiary is Da Afghanistan Breshna Sherkat (DABS). However, improving the capacity of DABS will improve access to power in Afghanistan and bring both relief to households and contribute to private sector development, and eventually to economic growth by enhancing DABS ability to plan and implement new investments, operation and maintenance of distribution systems.

### **C. PDO Level Results Indicators**

22. The following key indicators are proposed to assess the achievement of the PDO:

- a. 50% of Distribution Operations staff in DABS with improved skills in investment planning, implementation, operation and maintenance through the project supported training and use of new training facility

- b. Annual O&M plans for six major load centers prepared and implemented using new standards and procedures based on good international practice adjusted for local conditions

### III. PROJECT DESCRIPTION

#### A. Project Components

23. The proposed DABS Planning and Capacity Support Project has two components: (1) DABS staff capacity building; and (2) Training Center development. The description and objectives of each of these components are summarized below:

24. **Component 1: DABS staff capacity building (US\$ 2.95 million):** The objective of this component is to support DABS' capacity to plan and implement new investments in distribution systems and to operate and maintain the investments properly. A needs assessment has been carried out by DABS and specific training needs have been identified. A consulting firm will be hired under this component to carry out a training program consisting of a mix of classroom and on-the-job trainings. The trainings will particularly focus on engaging DABS planning staff including female engineers in preparation of feasibility studies through longer term on-the-job trainings. DABS planning staff will work closely with the trainers on a daily basis to carry out a pre-feasibility and/or feasibility study, and prepare a US\$50 million distribution system investment project as part of this training using their newly acquired skills, as an outcome of this component.

25. DABS's O&M staff will also receive identified trainings in planning and implementation of safe operation and maintenance of the network. However, given the large number of O&M staff (>2000) in DABS, scattered across 34 provinces, and the resource limitations under the project, the consultants will train O&M and safety trainers, who will then train the other relevant DABS staff on rolling basis in Kabul and provinces. These trainees will include DABS' technical female staff from the relevant departments. The consultants will also work with DABS in establishing an O&M planning system, and operationalize in six major load centers in the country. An asset management system which is required for O&M planning is being developed under a parallel USAID project. For details of planned training sessions, see Annex 2. In general this component would include the following:

- a) Developing a core training curriculum and providing general and task-specific training to managers and staff on distribution investment selection, planning and implementation, including preparation of pre-feasibility and feasibility studies, procuring design, supply and installation contractors, and supervising such contractors;
- b) Providing Providing general and task-specific training to managers and staff on distribution operation planning and implementation, including preparation and execution of annual O&M plans;
- c) Adopting and integrating the Afghanistan Energy Information Center into the asset management department of DABS: DABS will integrate Afghanistan's Energy Information Center (AEIC) into its structure. AEIC is the only center that provides energy related-data, maps, and information in the country. After funding from USAID

ended, MEW and DABS requested the World Bank to finance the transition period for AEIC until it is fully integrated into DABS' structure. The project will bear the cost of this transition retroactively for 12 months from the date of effectiveness of the project in an amount not expected to exceed \$0.15 million.; and

- d) Assisting DABS in empowering women's participation in the sector through provision of learning opportunities.

26. **Component 2: Training center development (US\$ 3.05 million):** This component supports development of a training center in Kabul. Currently DABS does not have any training facility for its staff, and this has been identified as a critical gap in its overall capacity building efforts. Under this component DABS will hire a consulting firm to design the training center based on the scope of work already identified (see Annex II for details). A contractor will later be hired to build and furnish the training center which is expected to take about two years. Until then, DABS will use a temporary space for the training to be carried out under component 1. The training center will also be equipped with specialized office and training equipment, which are under advance procurement. The construction of the training center will be supervised by individual consultants (one civil and one electrical engineer), hired by DABS under the project.

## B. Project Financing

27. **Lending Instrument:** The Bank's support will be through Investment Project Financing (IPF), a grant of US\$ 6 million from Afghanistan's Reconstruction Trust Fund (ARTF).

## C. Project Cost and Financing

28. The project cost and financing are summarized in Table 1 below.

**Table 1: Project Costs**

<b>Project Cost by Component and Subcomponent</b>	<b>Total (US\$ million)</b>
<b>Component 1. DABS staff capacity building</b>	<b>2.95</b>
(1a) Staff training consultancy	2.00
(1b) Incremental Operating Costs	0.10
(1c) Integration of Afghanistan Energy Information Center (AEIC) in DABS	0.15
(1d) Contingency:	0.7
<b>Component 2. Training center development</b>	<b>3.05</b>
(2a) Design of Training Center consultancy	0.10
(2b) Construction of Training Center	1.50
(2c) Supervision consultants for construction of Training Center	0.15
(2d) Office equipment for the Training Center	0.25
(2e) Training equipment for the Training Center	0.75
(2f) Contingency:	0.3
<b>Total Project Cost</b>	<b>6.00</b>

## D. Lessons Learned and Reflected in the Project Design

29. Lessons learned from other Bank financed projects have been integrated into the design of this project to the extent possible and where applicable, as follows:

- (i) *Project designs should be simple and have a few objectives to minimize the demand on institutions if they are weak and understaffed because capacity constraints in post-conflict environments are considerable.* Examples of projects with many components, covering different technical areas and scattered to several geographical locations have proven to be difficult to implement, i.e. the Emergency Power Rehabilitation Project (EPRP) financed by the Bank in Afghanistan, completed in 2013. The design of the project guided by this lesson, keeping the components to a manageable number, and limiting the area of intervention to distribution systems planning and O&M.
- (ii) *Initiating Early Procurement Activities.* The design (and bidding documents) of key works should be completed prior to project approval and procurement should start early. These elements can become a major bottleneck for the advancement of the project and lead to greatly delayed disbursement and is a common challenge for energy projects across the World Bank's portfolio. For this project, procurement of key activities is reasonably advanced to ensure that work can start once the financing of the project becomes effective.
- (iii) *Well-defined project implementation arrangements with clearly assigned responsibilities and accountability is essential from the start of project preparations.* Also ensuring strong project leadership with properly staffed project management offices are indispensable to effective project preparation and implementation. A Project Implementation Team has been assigned in DABS for the project, which will also leverage international consultants to provide invaluable international expertise in implementation of the project. Also, project implementation arrangements have been kept simple by limiting responsibility for the project to one entity only, namely DABS.
- (iv) *Previous power sector projects have focused largely on rehabilitation of infrastructure.* A better balance between the support to infrastructure rehabilitation and support to capacity building is needed in Afghanistan. The design of the project addresses both infrastructure needs going forward and filling critical capacity building gap, reflecting aforementioned lesson.
- (v) *Core members of the Bank task team should be located in the field to ensure continuous communication and implementation support and ensure timely resolution of issues as they arise.* Supervision efforts should be increased as needed. Key members of the team are based in Kabul and Dubai, and would be able to ensure timely project support and follow up implementation issues with DABS.
- (vi) *Allow for realistic implementation timetables and link these to objectives and indicators.* There are example of Bank financed projects that have repeatedly been extended, given the security challenges in the country and general capacity constraints both at the institutional and individual level. A case in



point is the Afghanistan Power Systems Development Project (APSDP) financed by the Bank that has just recently been extended again. This lesson is taken into account by including a reasonable timing contingency in the planned duration of the project.

- (vii) *Country knowledge as well as technical knowledge are key for successful program design and implementation in Afghanistan like in any other country.* The design of the project has benefited from advice from experienced energy and capacity building specialists in the Bank and inputs from senior managers in DABS, and other stakeholders.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and Implementation Arrangements**

30. Responsibility for the project implementation and management will rest with DABS whose Chief Executive Officer will delegate day to day management to heads of Departments. Implementation will be carried out by the Operations Department and the Project Management Office (PMO) in DABS. Oversight of technical and operational issues will rest with the Chief Operating Officer and PMO Director respectively, and oversight of fiduciary issues will rest with the Chief Financial Officer.

31. To implement the project, DABS has appointed a Project Manager for day to day project management. The Project Manager reports to the Chief Operations Officer on technical issues and to PMO Director on operational issues. He has management responsibility for the project, coordinating the project work within DABS, reporting to DABS management on progress and challenges, and coordinating with the World Bank on the project.

32. The Project Manager will be supported by a Project Implementation Team, with members assigned from different departments within DABS. The team members will be responsible in providing the necessary support to the Project Manager for carrying out day to day implementation activities of the project from their respective departments. The key members of the team with adequate qualification and appropriate skill have been identified or hired. They consist of a Distribution Planning Engineer, a Knowledge and Learning Specialist, a Financial Management Specialist (as Part of the Project Management Office already established for the ADB project), a Procurement Specialist, a Safeguards Specialist, and a Monitoring and Evaluation Specialist. Consulting firms and contractors will also be hired under the project to carry out specialized project activities.

33. These individuals, who are also DABS regular staff, will be responsible for their respective departments in DABS to ensure close and continued integration in the organization. An international procurement specialist is also being hired to support the project team. More technical consultants would be hired for specific areas to support and mentor concerned DABS staff. DABS will provide the necessary financial resources and appoint the required number of staff with appropriate qualification for running the Training Center, once its operational setup is determined.

34. Where needed, DABS will hire new local staff with appropriate technical qualification particularly for some of the specialized training, and provide them with appropriate incentives to avoid loss of skilled staff after training.

35. The consulting firm that will be hired under component one will also support DABS in enhancing AEIC’s role. This would include helping AEIC to determine what information it should make available, how it will acquire that information, how the data should be processed and presented to the public, taking into account the international experience.

36. The details of implementation arrangement are provided in Annex 3.

**B. Results Monitoring and Evaluation**

37. Monitoring of the project implementation progress, as well as progress toward the achievement of project development objectives and results indicators will be mainly the responsibility of DABS, and it has appointed an M&E Specialist to carry out this task. DABS will submit quarterly progress report to the Bank in accordance to the Results and Monitoring Framework in Annex 1. The reports will cover details on all Project activities, including procurement and financial summary report.

**C. Sustainability**

38. The Project focuses on shifting the level of planning and operations and maintenance (O&M) skills at DABS to a permanently sustained higher level of performance by (i) training staff to undertake planning tasks themselves, and (ii) by creating a pool of trainers that will continue to train existing and new incoming staff at DABS in O&M. Furthermore, DABS TA will establish planning and learning systems that should become part of the day to day running of DABS.

39. The project design has integrated arrangements for project coordination and management within DABS and does not rely on a separate project implementation unit. This increases DABS’ ownership and the sustainability of results achieved under the project.

**V. KEY RISKS AND MITIGATION MEASURES**

**A. Risk Ratings Summary Table**

<b>RISK CATEGORY</b>	<b>Rating</b>
1. Political and Governance	Substantial
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
<b>Overall Risk</b>	Substantial

## B. Overall Risk Rating Explanation

40. *The overall risk is rated as “Substantial”.* The security situation in Afghanistan makes any operation in the country very risky. In addition, unpredictability in the political and economic situation, such as unexpected change to government leadership, may affect project implementation and supervision and therefore impact project outcomes. Unexpected shifts in government financing priorities leading to the project not remaining a priority and leading to its cancellation is also a risk.

41. The weak capacity of the implementing agency increases the risk of project implementation. DABS will not be completely insulated from political pressures, including possible changes to senior management. However, there is strong commitment and ownership of DABS management to this project. In addition, the project design has been kept simple for quick implementation.

42. A deteriorating security environment could seriously affect project implementation, including finding qualified consulting firms and contractors willing to work in Afghanistan. The expected withdrawal of most US troops by the end of 2016 may potentially worsen the security situation. An unstable environment would affect project implementation (by DABS and contracting firms) and supervision (by the Bank). However, given that the location of this project’s activities is primarily in Kabul, these risks are expected to be manageable.

43. While the project is not complex or technically risky, DABS’ capacity will likely remain weak. Senior management has strong ownership, but significant risks remain. These will be mitigated through thorough support for preparation, ensuring readiness for implementation at the time of approval. DABS has also identified a project team within its organization and hired the necessary technical specialists to support implementation. Due to DABS’ lack of direct experience in implementing projects financed by IFIs like the World Bank, the risk of Institutional Capacity for Implementation and Sustainability and Fiduciary are rated *Substantial*.

44. A deteriorating security environment could seriously affect project implementation, including the proper supervision and the limited number of contractors and consultants willing to partake in projects in sensitive areas. The expected withdrawal of most US troops by the end of 2016 may potentially worsen the security situation. An unstable environment would affect project implementation (by DABS and contracting firms) and supervision (by the Bank). In particular, an insecure environment may: 1) create difficulties in securing and maintaining contracting firms, including potentially leading to the early termination or abandonment of assignments; 2) lead to delays in the rehabilitation of the plant; 3) limit movement, including creating logistical problems for Bank staff to go to the field to supervise and monitor the project; and, 4) increase the demand for additional financial resources to meet security needs.

45. From a safeguards perspective, the social and environment risks are considered as moderate. DABS will build the Training Center in an existing compound owned by DABS in the outskirts of Kabul city, and does not require any land acquisition. An Environmental and Social Management Framework (ESMF) has already been developed and will be applied across all components implemented under the project. The Bank team will ensure a continued focus on safeguards issues throughout implementation, provide close supervision, and work with DABS to ensure these risks are properly understood and addressed.

## VI. APPRAISAL SUMMARY

### A. Economic and Financial Analyses

46. This is a technical assistance project that does not finance any discrete investments which generate clearly separate cash flows; thus it does not lend itself to traditional measurement of economic costs and benefits. The project will nevertheless be based on principles of cost effectiveness by employing World Bank fiduciary principles for both procurement and financial management and by bringing to bear best practice know-how. Additionally, there is anecdotal evidence, that due to poor planning, and lack of maintenance, the distribution systems including low voltage transformers are breaking down well before the end of their lifetime. The cost of not improving DABS' capacity to better plan, and properly operate and maintain its distribution assets, worth hundreds of millions of dollars, is many times higher than the amount of required investment under this project. Similar technical assistance projects executed in other countries have demonstrated that the cost of improving the capacity of the sectors to plan, implement and monitor projects significantly improves the use, distribution, and management of benefit streams. Successful implementation of similar technical assistance projects in Afghanistan has resulted in substantially increased investment, improved DABS oversight over the sector, and greater accountability of revenue streams generated by the sector.

### B. Technical

47. The Project's scope has been generally assessed as technically sound. It is based on international best practices and lessons learned in the region where similar projects have been carried out in the past. Component 1 would require DABS attention in terms of the quality of the consultant firms to be contracted and their services. Training lessons would be based on best international practice. Component 2 which would require attention to the capability of the contractors for construction of the training center, and the types of technical training equipment to be procured for the center. During the appraisal mission the nature of the training equipment proposed for the Training Center will be closely reviewed, as well the status of preparation of standards for the distribution system funded under USAID's project. The delay in the development and adoption of standards for distribution systems could impact the speed with which component 1 can be implemented, since the latter is to build on these standards.

48. These activities are not technically controversial and have been implemented in many countries in the region. However, due to the generally low capacity in Afghanistan and the challenging security environment they will not necessarily be simple to implement in Afghanistan. Considerable focus on technical quality would be critical for success.

### C. Financial Management

49. The fiduciary arrangements in DABS have been assessed and found adequate for the purposes of the project. The residual FM risk, after applying the risk mitigation measures, is rated as Moderate.

50. The FM arrangements are at two levels—the central level and the implementing agency level. Country systems are used for budgeting, accounting, funds flow, internal audit, and external audit.

51. At the central level, accounting and audit functions for the proposed project will be undertaken by the MoF and the Supreme Audit Office (SAO), respectively, with TA supported under the ARTF-financed Public Financial Management Reform Project (PFMRP) II. The project activities will be implemented by DABS. At the implementing agency level, the overall responsibility for project FM will rest with the CFO, and the day-to-day functions will be carried out through the finance department of DABS. The head of the Finance Department has recently been hired, he has significant experience working on Bank-funded projects in other line ministries. FM staffing within DABS finance department is adequate to carry out the FM functions for this project. A focal FM person from the department will be identified, he will have dual reporting lines. One, to the Project Manager and another, to the Head of the finance department. While DABS has not implemented a Bank-funded project before, it has sufficient experience working on an ADB-funded project that has similar requirements and procedures as under Bank-funded projects. The Bank will provide necessary support and training to DABS finance staff to familiarize them with Bank requirements.

52. Project transactions will be recorded in the Afghanistan Financial Management Information System (AFMIS) by the MoF. Simultaneously, DABS Finance Department will maintain subsidiary books of records for the project and will prepare interim financial reports (IFRs) on a bi-annual basis to be submitted to the Bank within 45 days from the end of the 6-month period (Dec 20 and Jun 20). DABS will follow the Afghan fiscal year (December 21 to December 20) for project accounting and reporting. DABS Finance Department uses the Great Plains accounting software for its accounting; this will also be used for project accounting. The FM focal person will be responsible for facilitating the internal and external audit process, providing necessary documentation for review, and responding to audit queries.

53. Project funds will be channeled through a segregated designated account (DA) in U.S. dollars to be opened at the Da Afghanistan Bank. The DA will be controlled by the MoF; however, DABS Finance Department will be responsible for managing it and carrying out periodic reconciliation. All project payments will be centralized in Kabul, and no project funds are expected to flow to the provinces. Disbursements from the grant will be made using advances, reimbursements and direct payments. The project will follow the traditional statement-of-expenditure-based disbursement method. All withdrawal applications to the Bank, including advances, reimbursement and direct payment applications, will be prepared by DABS and submitted by the MoF. Copies of supporting documentation for all project payments will be maintained at DABS. Retroactive financing up to US\$0.15 million will be provided for payments made from February 1, 2015.

54. Internal audit for the project will be carried out by the Internal Audit Department of DABS. The annual project audit will be carried out by the SAO, with TA from an audit agent; the project financial statements will be prepared by the MoF using the AFMIS. Annual audited project financial statements will be submitted within six months of the close of the GoA's fiscal year.

55. There are no overdue audit reports, no overdue IFRs and no ineligible expenditures under ongoing or closed projects implemented by DABS. Further details on the arrangement are presented in annex 5.

## **D. Procurement**

56. Procurement for the project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 and revised in January 2014, "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 and revised in January 2014, and the provisions stipulated in the Financing Agreement. In addition, the World Bank's "Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006 and revised in January 2011 has been shared with the Islamic Republic of Afghanistan. The World Bank's Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan. In case of conflict/contradiction between the World Bank's procurement procedures and any national rules and regulations, the World Bank's procurement procedures will take precedence as per Article 4(2) of the Procurement Law July 2008 (Amendments in January 2009 incorporated) of the Islamic Republic of Afghanistan. The general description of various procurements under different expenditure categories is described in Annex 3. A detailed procurement plan has been prepared for the project as part of the Procurement arrangement.

57. DABS will have overall responsibility for all procurement under the Project. An assessment of the capacity of DABS to implement procurement actions for the project has been carried out. There is an established procurement department with clear lines of responsibility and clearly documented procurement processes including service standards for various types of procurement, and the assessment shows a reasonable setup of procurement processes of DABS. There is a Procurement Manual and regular staff trainings are carried out. While there is close assistance from USAID and ADB for institutional development of DABS – which includes a procurement and inventory management system, they do not have direct experience of procuring or managing large and complex projects and rely on donor-provided Consultants to execute and supervise such projects. This project will adopt the same approach. The assessment also found some gaps in staff competencies, understanding of the market for power equipment, internal audit system and decentralization, and is discussed in more detail in Annex 3.

## **E. Social (including Safeguards)**

58. The OP 4.12 (Involuntary Resettlement) is triggered as feasibility studies for future power distribution investment project may recommend some limited land acquisition. Training on preparation of pre-feasibility/ feasibility studies on power distribution planning and investment will be financed under component 1 of this project. Very small areas of land may be bought outright (willing buyer- willing seller) under the future investment project to facilitate the siting of electricity poles and pylons.

59. A framework approach is adopted as the specific alignment of activities under the distribution investment project is unknown at the time of project appraisal. This approach permits the early identification of potential adverse impacts without the requirement of rigorous analysis. A Resettlement Policy Framework (RPF) has been developed as part of the ESMF for this project and will be applied to all project components where it is not feasible to avoid land acquisition, asset loss and/or resettlement. The RPF clarifies resettlement principles,

organizational arrangements and design criteria to be applied to all components implemented under the project. In this way a consistent approach to resettlement practice will be ensured.

60. **Consultation and Disclosure:** The draft of the ESMF is available online at DABS's website in Dari and English, disclosed on 25/04/2015. These documents were also disclosed at the Bank's InfoShop on 04/30/2015. It is also important to note the ESMF with RPF were consulted locally with the project stakeholders on 03/11/2015. The minutes of public consultation are included in the final ESMF.

## **F. Environment (including Safeguards)**

61. In accordance with the World Bank safeguard policy OP 4.01 on environmental assessment, the project is classified as environment category B.

62. Component 1, which will finance training on preparation of feasibility studies, detailed engineering designs and bidding documents for the rehabilitation and/or construction of a future distribution network/lines, and therefore, the siting of poles, pylons and substations associated with the supply of distribution lines may have some impacts. These are likely to be small, temporary, local and readily avoided, reversed or mitigated and will be managed through project specific ESMPs.

63. Component 2, which will finance the civil works related to the construction of the training center, may also cause limited, temporary and localized impacts including removal of construction waste disposal, dust and noise pollution, increased construction traffic, establishment of temporary workers' camp etc. These impacts are expected to be small and temporary and either reversed or mitigated through a site specific MP and construction contracts.

64. Given the project nature, an Environmental & Social Management Framework (ESMF) has been developed and adopted by DABS for the project. The project also includes environmental safeguards training to the relevant staff in DABS as well as the relevant contractors, which will help to address any environmental risks of the intervention..

65. In order to develop safeguards-related capacity at DABS, appropriate training in understanding and managing safeguards requirements during preparation and implementation of investment projects, will be provided to DABS staff. Establishing of an Environmental, Social, Health and Safety Management System (ESH&S-MS) in DABS will also be assessed during the Mid-Term Review of the project and, based on the achievements at that point, all appropriate plan will be put in place for implementation.

## **G. World Bank Grievance Redress**

66. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS> For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org) .



**Annex 1: Results Framework and Monitoring**  
**ISLAMIC REPUBLIC OF AFGHANISTAN**  
**DABS Planning and Capacity Support Project**

**Project Development Objective (PDO):** The project development objective is to improve DABS capacity in distribution investment planning, implementation, operation and maintenance.

PDO Level Results Indicators*	Unit of Measure	Base line	Target Values				Freq.	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition, etc.)
			YR1 (2016)	YR2 (2017)	YR3 (2018)	YR4 (2019)				
1. Distribution Operations staff in DABS with improved skills in investment planning, implementation, operation and maintenance through the project supported training and use of new training facility	%	0	2	15	40	50	Cumulative	DABS Report	DABS	% of Distribution Operations staff in DABS trained in investment planning, implementation, and O&M
2. Annual O&M plans for six major load centers prepared and implemented using new standards and procedures based on good international practice adjusted for local conditions	Number	0	0	2	4	6	Cumulative	DABS Report	DABS	Number of O&M plans prepared and implemented in major load centers

<b>INTERMEDIATE RESULTS</b>													
<b>Intermediate Results Indicators*</b>	<b>Core</b>	<b>Unit of Measure</b>	<b>2015 Base Line</b>	<b>Cumulative Target Values**</b>					<b>Frequency</b>	<b>Data Source/ Methodology</b>	<b>Responsibility for Data Collection</b>	<b>Description (indicator definition etc.)</b>	
<b>Component 1</b>				<b>YR1 (2016)</b>	<b>YR2 (2017)</b>	<b>YR3 (2018)</b>	<b>YR4 (2019)</b>						
An electricity distribution investment project prepared through project training in planning, design and implementation, based on good international practice adjusted for local conditions		Number	0	0	0	1				Number	DABS Report	DABS	Number of distribution investment projects prepared during project supported training
New standards and procedures for Planning and O&M developed and adopted		Text	0	Planning and O&M systems under preparation	Planning and O&M systems piloted	Planning and O&M systems in use	Planning and O&M systems in use			Annual	DABS Report	DABS	New standards and procedures for Planning and O&M developed by the project and adopted by DABS
Training curriculum developed and put in use.		Text	0	Training curriculum development started	Training curriculums made ready	Training curriculum in use	Training curriculum in use			Annual	DABS Report	DABS	Training curriculum for planning, project implementation O&M, and safety courses developed and used
Direct Project Beneficiaries	X	Number	0	35	250	485	195			Annual	DABS Report	DABS	Number of DABS staff trained
DABS female technical staff trained		Number	0	3	5	8				Cumulative	DABS Report	DABS	Number of DABS female technical staff trained by the project
Internship opportunities provided to female engineering university students in DABS		Number	0	0	6	12				Cumulative	DABS Report	DABS	Number of internship opportunities provided to female engineering university students
<b>Component 2</b>													
The training Center commissioned		No	0	0	0	1	0			Cumulative	DABS Report	DABS	No of training centers commissioned

**Annex 2: Detailed Project Description**  
**ISLAMIC REPUBLIC OF AFGHANISTAN**  
**DABS Planning and Capacity Support Project**

The proposed DABS planning and Capacity Support Project would be comprised of two<sup>2</sup> components: (1) DABS staff capacity building; (2) Training center development. The description and objectives of each of these components are summarized below.

**Component 1: DABS staff capacity building:**

1. This component would support capacity building for the staff of DABS including:
  - a) Developing a core training curriculum and providing general and task-specific training to managers and staff on distribution investment selection, planning and implementation, specifically on the preparation of pre-feasibility and feasibility studies, procuring design, supply and installation contractors, and supervising such contractors
  - b) Providing general and task-specific training to managers and staff on distribution operation planning and implementation, specifically on the preparation and execution of annual O&M plans
  - c) Adopting and integrating the Afghanistan Energy Information Center into the asset management department of DABS
  - d) Assisting DABS in empowering women's participation in the sector through provision of learning opportunities to them.
  
2. A consulting firm with experience in capacity building and training in the power sector would be hired to implement this component of the project with DABS. The aim would be to enhance the skills of DABS staff to ensure that the staff is independently able to perform the distribution investment planning and implementation, as well as Operation and Maintenance tasks/activities by the end of this assignment.
  
3. As per the needs assessment previously carried out in DABS, it is envisaged that the consultant should provide trainings and technical support in the following areas:
  - a) **Planning and Design of Power Distribution Systems:** In this area, trainings in i) Distribution System Investment Planning; ii) Survey, design calculations, and preparation of distribution investment projects including pre-feasibility and feasibility reports, technical documents, Bidding Documents and RFPs; iii) Engineering Design of Protection/Control system; iv) Use of appropriate software for power system analysis, load flow studies, operations, control and protection software; v) Understanding and preparation Environmental and Social Safeguards documents as per the international standards; and vi) training in understanding and use of Citizen Engagement and gender principles during the preparation of the investment projects

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<sup>2</sup> The project also had another component on institutional capacity building at the concept stage. However, to avoid duplication, it had to be dropped from the scope of this project as USAID's new capacity building project in DABS was covering that area.

- b) **Project Management function in Power Distribution: Trainings in** i) Project Implementation and supervision; ii) Project Management skills; iii) Report writing would be provided for this area.
- c) **O&M function in Power Distribution systems: This area would consist of training in** i) Preparation and implementation of Operations and Maintenance Plans for distribution networks and substations; ii) SCADA Operations and Maintenance; iii) preparation and implementation of safety procedures.
- d) **Preparation and implementation of administrative and operational policies and procedure for the operation of the Training Facility:** The purpose of this sub-component is to build DABS capacity with a view to ensure that the Training Center to be built under component 2 of the project is run effectively and up to the standards. Administrative and operational policies, procedures, and plans for appropriate operation of the Training Center would be developed and implemented. Relevant DABS staff would also be trained in implementation of those policies and procedures to ensure that the day to day running of the facility and associated infrastructure viz. Hostels, Library, Sports Facility, Laboratories, Workshops and etc are up to the standards. Also in line with the Bank's Citizen Engagement requirement, a mechanism for receiving and addressing feedbacks from the trainees would be established.
- e) **Support for integration AEIC into DABD and enhancement of its services:** The AEIC, established in 2005 with the objective of setting up a centralized repository of all information related to Energy sector in Afghanistan, scaled down its activities effectively from December 2012, after funding from USAID ended. AEIC is currently providing limited services, but is needed to expand it to meet the demand of all the stakeholders.

A strategy for enhancing AEIC services from its current status would be developed and implemented. This would include helping AEIC to determine what information it should make available, how it will acquire that information, how the data should be processed and presented to the public, taking into account the international experience on provision of this kind of information to the public domain.

The procedures for information collection and publishing by the AEIC would be also established, in consultation with all the stakeholders such as DABS, ICE (Inter-ministerial Commission for Energy), Ministry of Energy & Water, the donor organizations and others.

Gaps in hardware requirements including servers and networking equipment for AEIC to host the information, as well as its software needs would be identified and procured.

### **Capacity building approach:**

4. The project will not use a PIU approach, to ensure long term sustainability and ownership of the project by DABS. The Capacity Building Consultant would be required to post its experts in DABS, who would closely work alongside DABS staff and train them to build knowledge, skills and abilities that would enable them to perform their tasks independently by the end of the assignment. Training programmes would be a mix of classroom and on-the-job training with more emphasis on the latter.
5. Training of Trainers is also included in this component. The trainers from DABS Kabul and regional offices would be identified, and trained in relevant areas during the project. Enabling them to impart training to other DABS staff is expected to strengthen the sustainability of the project.
6. Adequate consideration would be given for gender, and as part of the capacity needs of DABS female staff would be assessed, and learning opportunities based on their qualifications and the existing gaps would be identified and assisted by provision of relevant trainings under the project. Additionally, DABS will provide internship opportunities to 12 female engineers in DABS who will also be provided with relevant training under the project Also gender trainings, including on anti-harassment policies, and work environment, would be provided to the managers and other staff in DABS, as needed.
7. The training curriculum for all capacity building subjects would be developed in local languages, and printed in sufficient numbers.

### **Component 2: Training center development:**

8. This component will support setting up of a training center in DABS including:
  - a) Design, construction and furnishing of the training center building
  - b) Purchase of training and office equipment to equip the Training Center for DABS
9. This component would be implemented in two phases:

#### **Phase One: Design of the Training Center**

10. During this phase, a Design Consulting firm would be hired to design a centralized Training facility for DABS in approximate area of about 17000m<sup>2</sup> in Kabul. The facility as a campus will house the training and office buildings, and hostels for DABS employees, is envisaged to include the followings:
  - a) A centrally air conditioned 150 seat capacity Auditorium with latest Audio/ Video System
  - b) A Conference Hall (50 seats) for holding seminars, workshops and conferences.

- c) 3 Lecture Halls (60 seats, 40 seats and 20seats) for holding regular class room sessions.
- d) Administrative Office.
- e) Hostels: Furnished hostel with lodging and boarding facilities to accommodate about 40 trainees. Separate Girl's hostel with a capacity of 10 female trainees to be also provided.
- f) Library: A library is intended to be set up as a part of the Training Facility with a large collection of books and videos on Modern Power Station Technology, various branches of Engineering, Computer Sciences, Industrial Relations, Management, Power Reforms, Regulatory issues, etc. The library would subscribe to a number of Afghan and foreign technical journals and periodicals.
- g) Laboratories/Workshops/Models: The Training Center will have well equipped laboratories and workshops with wide ranging facilities for imparting training to Technicians, Operators and Engineers on various aspects of power distribution systems. The laboratories and workshops would include: (i) Maintenance workshops for Valves, Bearings, Shaft alignment, Pumps, Motors etc. (ii) Electrical laboratory with facilities for electrical equipment demonstration and repairs, (iii) Control and Instrumentation laboratory with facilities for collaboration and repairs of different types of process control instruments, (iv) Live working models of some of the important mechanical and electrical equipment such as pumps, valves, transformers, circuit breakers would be installed in the laboratories and Workshops.
- h) Computer Facilities: Computer lab equipped with relevant hardware and software with access to the Internet would be available for students for the purpose of training.
- i) Audio Visual Aids: The Auditorium, Conference Room and Lecture Halls would be equipped with modern Audio Visual aids which are required for efficient running of training programs.

11. The Design consultant shall prepare and submit a concept design along with layout drawings and architectural design of the training facility with broad infrastructure as explained above. The facility shall be designed to accommodate a wide variety of infrastructure, all of which would be under the SOW of the construction contractor, who would be appointed by DABS through a competitive bidding process based on the approved concept design.

12. The scope of design work by the Design Consultant will consist of desk study, engineering study and survey, conceptual design, analysis of data, and the detailed design with technical specifications and cost estimate.

13. In addition to design of the Training Center, the Design Consultant will also be assisting DABS during the technical bid evaluation in procurement of services of a construction firm. Also individual consultants will be hired by DABS for supervision of construction works. Supervision will include project monitoring including the Quality Assurance, weekly and monthly reports,

invoice checking and certification during the execution of the construction till completion and handing over the facility to DABS.

**Phase Two: Construction of the Training Center:**

14. After development of detailed design and preparation of technical and procurement documents under phase one of this component, a construction firm will be competitively hired, with experience in construction of similar projects, to build the Training Center.

15. Given the location of the training center in Kabul (from security point of view), and the low technical complexity of the Training Center, no major issues are expected in terms of attracting good construction firms to carry out the project.

16. The two individual consultant hired supervision of construction works, would be made responsible to ensure fulfillment of the contractor’s duties from the drawings up to the completion of works, according to the standards particularly related to i) quality of materials used in the works; ii) equipment and methods of construction; iii) supervision, checking and testing of works carried out; and iv) progress of works to ensure that the work program is adhered to.

17. Training and Office equipment: The Training Center would be fully equipped with all required and relevant office and training equipment. Lists of these equipment have already been developed by DABS based on the envisaged needs of the Training Center, and would be procured as separately by DABS.

18. Construction of the Training Center is expected to take about two years, and would be completed during the third year of the project. However, until completion of the Training Center, a temporary facility would be provided by DABS as an interim measure, in which the trainings under component 1 of the project would be conducted.

19. To ensure sustainability and institutionalisation of the training center, the consulting firm to be hired under component one, will also assist DABS in developing administrative and operational policies, procedures, and plans for appropriate use of the Training Center, and train relevant DABS staff in implementation of those policies and procedures until fully operationalized.

**Table 1: Project Financing and Phasing by Year**

<b>Component and subcomponent</b>	<b>Year 1</b> (\$ million)	<b>Year 2</b> (\$ million)	<b>Year 3</b> (\$ million)	<b>Year 4</b> (\$ million)	<b>Total</b> (\$ million)
<b>Component 1:</b>					
- <b>Staff Capacity Building</b>	0.0	.80	1.0	0.2	2.0
- Incremental Operating Cost	0.0	0.5	0.5	0.0	0.1
- Integration of AEIC	0.15				0.15
- Contingency		0.3	0.4		0.7
<b>Component 2:</b>					

<b>Component and subcomponent</b>	<b>Year 1 (\$ million)</b>	<b>Year 2 (\$ million)</b>	<b>Year 3 (\$ million)</b>	<b>Year 4 (\$ million)</b>	<b>Total (\$ million)</b>
- Design and supervision of Training Center	0.02	0.08			0.1
- Construction of Training Center	0.0	0.5	0.8	0.2	1.5
- Supervision of Training Center construction		0.05	0.08	0.02	0.15
- Training Equipment	0.0	0.75			0.75
- Office Equipment	0.0	0.25			0.25
- Contingency		0.1	0.2		0.3
<b>Total</b>	<b>0.17</b>	<b>2.88</b>	<b>2.53</b>	<b>0.42</b>	<b>6.0</b>

Note: The project was originally designed for a budget of \$7.5 million. However, due to the budget constraints in the ARTF, the government reduced it to \$5 million. The project scope had to be reduced by removing the sub-component of 'Twining Arrangement' from component one, and hiring of a PMF for supervision of the training center. However, given the systematic risk of cost overruns in Afghanistan and lack of a provision for other potential contingencies, it was agreed to include a 20% contingency to the budget, a common level in the context of Afghanistan.

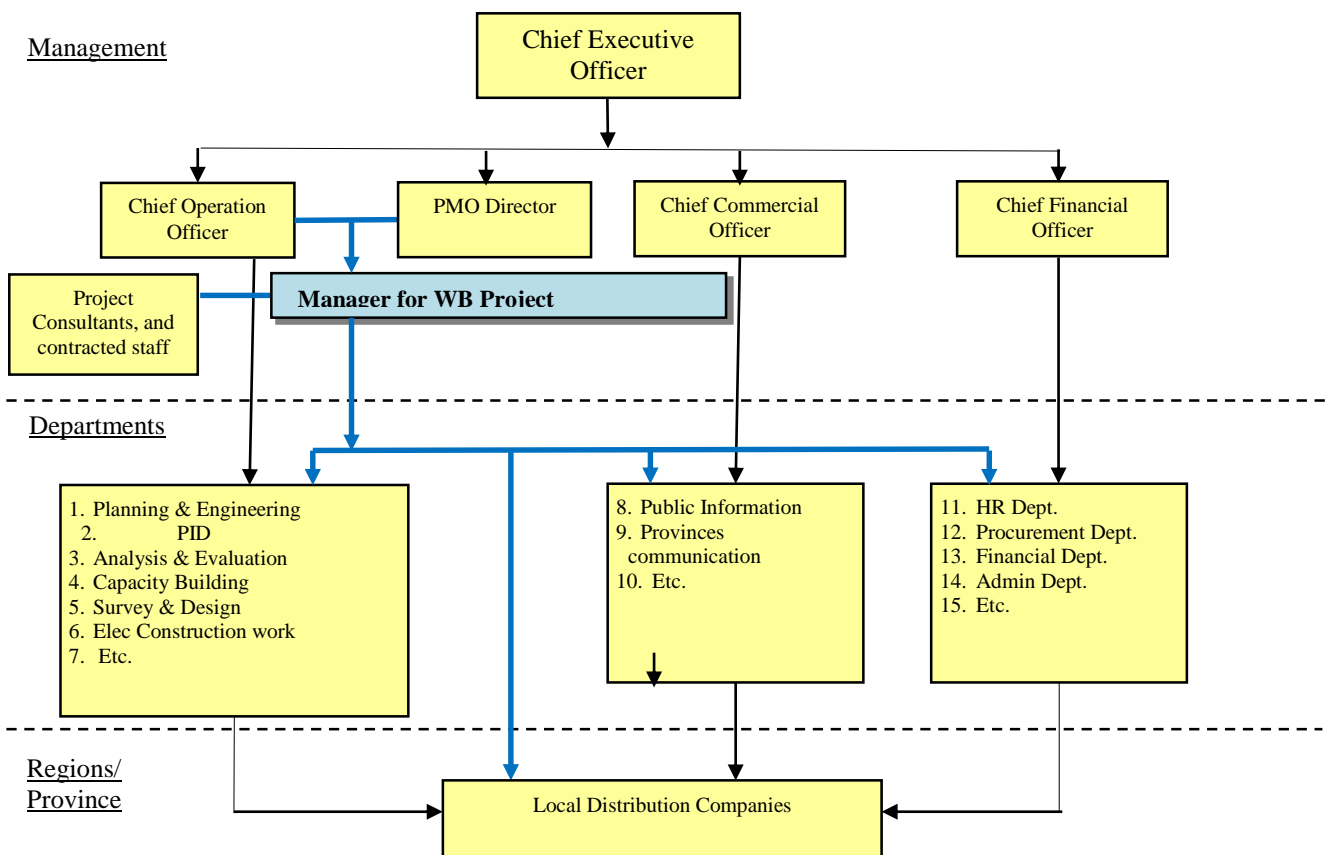


**Annex 3: Implementation Arrangements**  
**ISLAMIC REPUBLIC OF AFGHANISTAN**  
**DABS Planning and Capacity Support Project**

**Project Institutional and Implementation Arrangements**

1. Overall responsibility for project management will rest with DABS. The organizational structure of DABS and departments involved in the project are shown in Figure A.3.1 and the responsibilities are described below.

**Figure A3.1: Implementation Arrangements of DABS**



2. DABS is established under The Corporations and Limited Liabilities Law of the Islamic Republic of Afghanistan. The management of DABS includes a CEO who is appointed by the board of directors, and the senior management group, which is composed of three members heading its three divisions: (i) the COO is responsible for technical operations; (ii) the CCO is responsible for billing, revenue collection, loss reduction, tariffs, and customer care; (iii) the CFO is responsible for FM, accounting, procurement, IT, and human resources; and (iv) the PMO is responsible for implementation of new initiatives and projects.

3. In general, overall responsibility for the project management will rest with the CEO of DABS, who will delegate day-to-day management to heads of divisions. Oversight of technical and operational issues will rest with the COO and PMO Director respectively. Consultants and contractors will be hired as necessary to carry out specialized tasks. Procurement and FM will be the responsibility of the PMO and CFO, again delegating to functional heads in the financial division.
4. To implement the project, DABS has appointed a Project Manager for day to day project management. The project manager reports to the PMO on operational issue and to the COO on technical issues. He has the overall responsibility of managing the project, coordinating the project work within DABS, reporting to DABS management on progress and challenges; and cooperating with the World Bank for the project.
5. The Project Manager will be supported by a Project Implementation Team, with members assigned from different departments and PMO within DABS. The team members would be responsible in providing the necessary support to the Project Manager for carrying out day to day implementation activities of the project from their respective departments. The key members of the team with adequate qualification and appropriate skill have been identified or hired. They consist of a Distribution Planning Engineer, a Knowledge and Learning Specialist, a Financial Management Specialist, a Procurement Specialist, a Safeguards Specialist, and a Monitoring and Evaluation Specialist. All these staff will be sitting within their respective departments in DABS to ensure close and continued integration within the organization.
6. These individuals, who are also DABS regular staff, will be responsible for their respective departments in DABS to ensure close and continued integration in the organization. An international procurement specialist is also being hired to support the project team. More technical consultants would be hired for specific areas to support and mentor concerned DABS staff. DABS will provide the necessary financial resources and appoint the required number of staff with appropriate qualification for running the Training Center, once its operational setup is determined.
7. Where needed, DABS will hire new local staff with appropriate technical qualification particularly for some of the specialized training, and provide them with appropriate incentives to avoid loss of skilled staff after training.
8. Afghanistan Energy Information Center (AEIC) previously funded by USAID, the only center providing critical energy related data, maps, analysis and information in the country will also be integrated into DABS. The project will bear the cost of transition from USAID to DABS retroactively and on declining basis for 18 months from July 2014. The retroactive payment for the AEIC is an amount not expected to exceed \$0.15 million.
9. A Project Steering Committee (PSC) will provide the forum for overall guidance, policy advice, coordination of the project activities, and addressing of interagency issues. The PSC will be chaired by the Deputy Minister of Finance and will include deputy ministers for energy and water from MEW and will have representatives from President Office and Afghanistan National Security Forces. DABS through the CEO and PD will act as the secretary of the PSC.

## **Environmental and Social (including safeguards)**

10. In accordance with the World Bank safeguard policy OP 4.01 on environmental assessment, the project is classified as environment category-B.

11. Component 1, which will finance trainings on preparation of feasibility studies, detailed engineering designs and bidding documents for the rehabilitation and/or construction of new distribution network/lines, and therefore, the siting of poles, pylons and substations associated with the supply of distribution lines may have some impacts. These are likely to be small, temporary, local and readily avoided, reversed or mitigated and will be managed through project site specific ESMPs.

12. Component 2 which will finance the civil works related to the construction of the training center may also cause limited, temporary and localized impacts including removal of construction waste disposal, dust and noise pollution, increased construction traffic, establishment of temporary workers' camp etc. These impacts are expected to be small and temporary and either reversed or mitigated through an ESMP and construction contracts.

13. Given the project nature, an Environmental & Social Management Framework (ESMF) with RPF developed for the project will be implemented. The project also includes environmental & social safeguards trainings to the relevant staff in DABS, which will help to address any environmental & social risks of the intervention.

14. In order to develop safeguards related capacity at DABS, appropriate training in understanding and managing environmental and social safeguards requirements during preparation and implementation of investment projects, would be provided to DABS staff. In line with internationally recognized standards such as ISO 14000 (environment) and OHSAS 18000 (for occupational health and safety), establishing of an Environmental, Social, Health and Safety Management System (ESH&S-MS) in DABS will also be assessed during the Mid-Term Review of the project, and based on the achievements at that point, appropriate plan would be put in place for implementation.

## **Monitoring & Evaluation**

15. Monitoring of the project implementation progress, as well as progress toward the achievement of project objectives and results indicators will mainly be the responsibility of DABS. To carry out the task, an M&E Specialist has been appointed within DABS to be supported and mentored by an international consultant. They will develop a monitoring framework and system in accordance with DABS systems, collect data and establish base lines for indicators and manage the monitoring and evaluation aspects of the project.

## **Role of Partners**

16. This project is totally financed by ARTF. Other energy sector key donors i.e. USAID has its own separate capacity building project in DABS, primarily targeting commercial department of DABS. Activities of this project would be coordinated with USAID and other donor funded projects in DABS, where required.

**Annex 4: Implementation Support Plan  
ISLAMIC REPUBLIC OF AFGHANISTAN  
DABS Planning and Capacity Support Project**

1. The overall supervision complexity rating is low to medium. Please see more detail in the table below:

**Supervision Complexity Matrix<sup>3</sup>**

<b>Criterion</b>	<b>Factors to take into consideration</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
<b>Transaction volume</b>	Total number of transactions over project lifetime Total number of contract awards expected in year Average size of each transaction (or could be something like NCB:ICB ratio)	X		
<b>Geographic spread/scope and security factor</b>	Number of provinces covered by project Proportion of project provinces considered to be high risk (as defined by Bank Security people)	X		
<b>Implementing agency capacity</b>	Could link to the SORT rating from PAD (resources, processes and systems) and/or Ministry/IA Procurement and FM risk ratings done during preparation(proxy for overall capacity/competence) Number of implementing agencies			X
<b>Governance risks</b>	Could link to the SORT rating from PAD (ownership and commitment, accountability and oversight, decision making, fraud and corruption)		X	
<b>Safeguards rating</b>	Safeguards category (A, B, C or FI)	X		
<b>Complexity/innovation</b>	Number of different specializations needed for supervision	X		
<b>Donor coordination</b>	Whether ARTF or IDA-financed Whether co-financed by other donors	X		
<b>MTR/restructuring</b>	Whether MTR or restructuring is planned for the FY	X		

2. The project is expected to have about 5 contracts (2 Goods, 2 consultant services, and 1 works), in the range of up to two millions. The contracts will be all ICB with several stage payments. The project safeguards rating is Category B, triggering safeguards policies on Environmental Assessment and Involuntary Resettlement.

3. The project is limited to Kabul city only, which allows easy access for supervision purposes.

4. The project is the first time the Bank will work with DABS. DABS will therefore have to familiarize itself with Bank policies and procedures.

**Implementation Support Plan**

5. The project supervision will be done by the Kabul based staff with occasional support from international staff from Dubai and DC.

<sup>3</sup> The Supervision Complexity Matrix is a CMU requirement in Afghanistan to ensure improved consistency between supervision complexity and supervision budget.

6. Procurement can be supported by procurement accredited members of the team with support from the Kabul-based Procurement Team for contracts above the procurement thresholds. While DABS will hire a procurement specialist to support implementation, the Bank will especially during the early days of implementation support DABS in procurement.

7. The initial phase of the project will be focusing on procurement and implementation preparation. Most of the supervision during this first phase will be desk based, and supported by staff from Kabul office.

8. The actual implementation phase is expected to start 3 months after effectiveness, except for retroactive payment of AEIC incremental costs. During this period, the team will need to work closely with DABS in Kabul on evaluation of procurement packages.

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
<i>First nine months</i>	Processing procurement packages (DABS)  Initial stages of implementation  Financial Management (DABS)	Procurement  Distribution planning and operations, capacity building  Financial Management		Implementation by the Project Implementation Team
<i>9-48 months</i>	Implementation	<i>Same as above</i>		Same as above

## Annex 5: Integrated Fiduciary Assessment for Preparation

1. **Background.** The Bank has gained substantial experience and understanding of the FM and procurement environment in Afghanistan through the large number of projects under implementation over the past years. The PFMRP<sup>4</sup> II (under the series of PFMRPs) is the primary instrument to continue and enhance the fiduciary measures put in place during the past years to help ensure transparency and accountability for the funding provided by the Bank and other donors.
2. A new Procurement Law (PL) was adopted in November 2005 that radically transforms the legal and regulatory framework. In accordance with the law, GoA established a Procurement Policy Unit (PPU) under the Ministry of Finance to provide oversight for the PL's implementation. PPU has issued several circulars regarding implementation of the PL including "Rules of Procedures for Public Procurement" (Circular: PPU/C005/1386 of April 12, 2007) and "Procurement Appeal and Review Mechanism" (Circular: PPU/N001/1385 of March 18, 2007). PPU and MOF have developed several standard bidding documents (SBDs), standard requests for proposal (SRFPs), standard requests for quotation (RFQs) for national and international procurement of goods/works and consulting services following national procedures as per the PL's Glossary of Procurement Terms in English and Dari. MOF has now mandated the use of: (i) SBDs for Goods and Works (Circular PPU/C024/1388 of June 10, 2009); (ii) SRFPs (Circular PP/C026/1388); and (iii) RFQs (Circular PPU/C029/1388 of January 13, 2010). A Procurement Management Information System (PMIS) has been developed and is being piloted in three line ministries. The PPU and the ARDS roles and responsibilities are transferred to the National Procurement Authority. In addition, a NPA Web site will facilitate publication of procurement notices and contract awards in addition to similar action being done on the Web sites of the line ministries, as applicable.
3. A public financial management performance rating system using 28 high-level indicators that was developed by the Public Expenditure and Financial Accountability multiagency partnership program was applied in Afghanistan in June 2005, and updated in 2008 and 2013. Afghanistan's ratings against the public financial management performance indicators generally portray a public sector where financial resources are, by and large, being used for their intended purposes. This has been accomplished with very high levels of support from international firms; this assistance will continue to be needed over the medium term if these ratings are to be maintained.
4. The Bank is financing an FM advisor to assist the MoF, and an audit advisor to assist the SAO. The internal audit function is being strengthened within the MoF with Bank financing. The activities carried out under the series of PFMRPs have helped the government to ensure that appropriate fiduciary standards are maintained for public expenditures, including those supported by the Bank and the donor community.
5. The overall fiduciary risk for the project is rated as **substantial** based on the assessment of the fiduciary arrangements in DABS. The details of the assessment are in the following paragraphs.

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<sup>4</sup> Public Financial Management Reform Project II

This rating will be reviewed at every implementation support mission and will be adjusted as necessary.

### ***Joint Fiduciary Aspects (FM and Procurement)***

6. **Fiduciary capacity.** The overall responsibility for project FM will rest with the CFO and the day-to-day FM functions will be carried out through the Finance Department of DABS. The head of the Finance Department has recently been hired, he has significant experience working on Bank-funded projects in other line ministries. FM staffing within DABS finance department is adequate to carry out the FM functions for this project. A focal FM person from the department will be identified for this project, he will have dual reporting lines. One, to the Project Manager and another, to the Head of the finance department. While DABS has not implemented a Bank-funded project before, it has sufficient experience working on an ADB-funded project that has similar requirements and procedures as Bank-funded projects. Necessary training and hands-on support will be provided by the Bank to DABS FM staff on FM and disbursement aspects to familiarize them with the requirements.

7. While there is an established procurement department with clear lines of responsibility and clearly document procurement processes including service standards for various types of procurement, the assessment shows a reasonable setup of procurement processes of DABS. There is a Procurement Manual and regular staff trainings are carried out. While there is close assistance from USAID and ADB for institutional development of DABS (this which includes a procurement and inventory management system), they do not have direct experience of procuring or managing large and complex projects and rely on donor-provided Consultants to execute and supervise such projects. This will also need to be the approach adopted for the purposes of this project. The assessment also found some gaps in staff competencies, understanding of the market for power equipment, internal audit system and decentralization, and is discussed in more detail in Annex 5.

8. There is segregation of procurement and FM functions in DABS.

9. **Planning and budgeting.** Annual budgets will be prepared in line with MoF regulations and according to the Afghanistan fiscal year. Project budget will be prepared on the basis of procurement plan and work plan. The annual budget will be broken by quarters for effective monitoring. The bi-annual IFRs will compare actual expenditures to budgeted expenditures, and explain significant variances.

10. The Procurement department regularly prepares procurement plans that are followed and updated as the need arises.

11. **Internal control (including internal audit).** The internal control mechanism at the central and implementing agency levels is acceptable. There is a proper segregation of duties. DABS has an accounting manual that lays down its internal procedures, this will be updated from time to time as needed. Records of project transactions and copies of supporting documents will be maintained at DABS, while the original supporting documents will be submitted to the MoF. Periodic reconciliation of project records with the bank statement and AFMIS records will be done by DABS Finance Department.



12. The internal audit for Bank-funded/administered projects is currently being carried out by the Internal Audit Department of the MoF. However, given that the capacity in DABS is significantly better than in other government agencies, the internal audit will be carried out by the Internal Audit Department of DABS. This audit will be done at least biannually and the reports will be shared with the Bank during implementation support missions.

13. A fixed assets register will be maintained by DABS for assets purchased from project funds. Assets will be coded and a system of physical inventory will be maintained.

14. There is a clearly articulated process for procurement, with clear lines of responsibility which are also available in the procurement manual.

15. **Contract management.** DABS has a contract management department that keeps tabs on the progress of contracts both in terms of physical and financial progress.

### *Governance and Oversight Arrangements*

16. **Audit Arrangements - External Audit of Project Financial Statements.** The SAO, with support from the Audit Agent, carries out the annual audit for all Bank-funded/ administered projects; it will also be responsible for audits of this project. The audits will cover all project transactions. Annual audited project financial statements will be submitted within six months of the close of the GoA's fiscal year<sup>5</sup> (December 21 to December 20). The financial statements for the project audit will be prepared by the MoF based on AFMIS records. There is a common ToR for the audit of all projects that is reviewed by the Bank on a yearly basis.

17. **Technical audit reviews.** In addition to prior review, Bank staff or Bank-appointed consultants shall carry out post procurement audit once per year.

18. **Grievance Redress Mechanisms: complaints handling.** DABS has developed a procurement manual that include a process for grievance handling, in addition to complaints handling processes under Afghan Procurement Law.

### *Procurement Considerations in the Fiduciary Assessment*

19. DABS is a state-owned company that has good management committed to best practice and capacity building. A procurement capacity assessment of DABS was carried out in October 2013. While there is an established procurement department with clear lines of responsibility and clearly documented procurement processes including service standards for various types of procurement, the assessment shows a reasonable setup of procurement processes of DABS. There is a Procurement Manual and regular staff trainings are carried out. While there is close assistance from USAID and the ADB for institutional development of DABS—which includes a procurement and inventory management system—they do not have direct experience of procuring or managing large and complex projects and rely on donor-provided consultants to execute and supervise such projects. This will also need to be the approach adopted for the purposes of this project. The

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<sup>5</sup> Current fiscal year is 1394 and covers the period December 21, 2014 to December 20, 2015.

assessment also found some gaps in staff competencies, understanding of the market for power equipment, internal audit system, and decentralization.

20. With the above arrangements in place, the risk is rated as High. Review of the risks will be carried out in subsequent implementation support missions with a view to adjust the risk ratings if necessary.

21. To mitigate some of the risks presented to the smooth implementation, the following actions will be taken:

- Acquiring the services of an international consultant to build capacity of staff
- Hiring a consultant to assist with the large value and complex procurements
- Setting up a complaints handling mechanism that tracks complaints received until their final disposal.

22. **Governance and accountability agenda.** All the contract opportunities and contract awards will be widely published on the internet, National Procurement Authority, DABS, and one other easily accessible website, and when required on the UNDB-Bank external website. DABS will set up a system to ensure that the staff or consultants who handled the procurement process, contract management, or the contract execution do not join the consultants or contractors, to guide against conflict of interest and allow for transparency. This will be reviewed during supervision missions.

23. **Procurement plan.** The borrower, at appraisal, developed a procurement plan for project implementation that provides the basis for the procurement methods. This plan has been agreed between the client and the IDA task team on [TBA] and is available at DABS. It will also be available in the project's database and on the Bank's external website. The procurement plan will be updated in agreement with the project team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

24. **Frequency of procurement supervision.** In addition to the prior review supervision, implementation support missions shall be carried out from Bank offices. There will be two implementation support missions per year.

### *FM Considerations in the Fiduciary Assessment*

25. **Funds flow.** Project funds will be channeled through a segregated DA in U.S. dollars to be opened at the Da Afghanistan Bank. The DA will be controlled by the MoF; however, DABS Finance Department will be responsible to manage the DA and carry out periodic reconciliation. Advances will be made to the DA with a fixed ceiling calculated based on a 4-months' worth of expenditures to be paid out of the DA. Disbursements from the grant will be made using advances, reimbursements and direct payments. The project will follow traditional transaction-based disbursement arrangement. Further details of disbursement arrangements for the project, including supporting documentation requirements (such as summary sheet or statement of expenditures), are spelled out in the Disbursement Letter. All project payments will be made centrally in Kabul, and no project funds are expected to flow to the provinces.

26. All payments from the DA will be made through check or bank transfer. Requests for payments from DA funds will be made to the Special Disbursement Unit in the Treasury Department of the MoF by DABS. In addition to payments from DA funds, DABS can also request the Special Disbursement Unit to request for direct payments from the grant. All withdrawal applications to the Bank, including advances, reimbursement and direct payment applications, will be prepared by DABS and submitted by the MoF. DA replenishment applications will be submitted preferably on a monthly basis, and at least on a quarterly basis, to ensure sufficient liquidity. The project will be 100 percent financed by the ARTF grant (as per table 3.1), inclusive of taxes, covering goods, works, non-consulting services, consulting services, training and workshop, and incremental operating costs.

**Table 3.1. ARTF Financing by Category of Expenditure**

Category	Amount of ARTF Grant (in US\$ millions)	Percentage of expenditures to be financed
1. Goods, works, non-consulting services, consultants' services, training and incremental operating costs for the project	6.0	100
<b>TOTAL</b>	<b>6.0</b>	

27. Retroactive financing of US\$150,000 will be provided for eligible expenditures paid before the signing date but on or after February 1, 2015.

28. Further advances from the DA up to a maximum of US\$15,000 may be withdrawn and maintained by DABS. The actual amount of funds to be maintained as imprest, if needed, will be based on project needs and will be reviewed by the Bank. Such imprest funds will be subject to adequate petty cash management procedures (for custody, control, limits, physical cash verification, and replenishment). The custodian of the imprest cash will be the cashier of DABS.

29. **Accounting.** All accounting is centralized in the AFMIS in the MoF. Subsidiary books of project records such as bank book, cash book, contract register, asset register, and so on will be maintained by DABS. The Finance Department of DABS uses Great Plains accounting software for its accounting, this will also be used for project records. The accounting software is currently being upgraded to a newer version. Cash basis of accounting will be followed for the project.

30. **Financial reporting.** Quarterly IFRs will be required for the project. These reports will be submitted in form and substance agreed with the Bank. The reports will have to be submitted within 45 days from the end of each quarter following the government fiscal year. The IFRs will include Statement of Cash Receipts and Payments, Statement of Uses of Funds by Project Activity, bank and advances reconciliation, and the bank statements.

31. With the above arrangements in place, the FM risk is rated as *Moderate*. Review of the risks will be carried out in subsequent implementation support missions with a view to adjust the risk ratings if necessary.

32. There are no overdue audit reports, no overdue IFRs and no ineligible expenditures under ongoing or closed projects implemented by DABS.

33. **Monitoring of fiduciary performance and implementation support plan.** While DABS has experience working on donor-funded projects, it has not implemented a Bank-funded project before. The FM capacity of DABS is good. The head of the Finance Department was recently hired and has significant Bank experience working in other line ministries. The limiting factor is the limited knowledge of Bank FM procedures and requirements among DABS finance staff. The Bank will provide the needed training and hands-on support to enable DABS FM staff to familiarize with the requirements. To this end, three DABS FM staff attended a three-day FM/disbursement workshop conducted by the Bank in September 2015.

34. The fiduciary performance will be assessed through the following indicators: (a) timely and quality submission of bi-annual IFRs; (b) maintenance of adequate books of records and supporting documents of project transactions; (c) timely submission of audited financial statements; (d) timely resolution of FM issues raised during Bank supervision, internal audit, external audit, and any other reviews; (e) maintenance of adequate internal controls; and (f) timely processing of project payments. The Bank will carry out two FM reviews annually. The implementation support will include monitoring of fiduciary performance based on identified indicators, review of IFRs and audit reports, review of compliance with legal covenants, review of progress on agreed actions, and review of FM risks.

35. Procurement for the project will be carried out in accordance with the World Bank's Guidelines: Procurement under IBRD Loans and IDA Credits, dated January 2011; Selection and Employment of Consultants by World Bank Borrowers, dated January 2011 and the provisions stipulated in the Financing Agreement. In addition, the World Bank's Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006 and revised January 2011 has been shared with the Islamic Republic of Afghanistan. The World Bank's Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Civil works and goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan. It has been agreed by both parties that in the event of a conflict between IDA Procurement/Consultant Guidelines, as per Article 4 (2) of the Procurement Law July 2008 (Amendments in January 2009 incorporated) of the IROA, the IDA Procurement/Consultant Guidelines shall prevail.

36. **Procurement of Works.** The only contract in this category will be the construction of a building to house the training center for DABS.

37. The procurement will be done using the Bank's Standard Bidding Documents (SBD) for all ICB and National SBD agreed with (or satisfactory to) the Bank. Threshold for ICB civil works will be equivalent or more than US\$ 5,000,000 per contract; threshold for NCB works will be less than US\$ 5,000,000 per contract

38. **Procurement of Goods and Non Consulting Services.** Procurement of the goods will be done using Bank's SBD for Goods for all contracts following International Competitive Bidding (ICB) procedures. National SBDs agreed with IDA, or satisfactory to IDA, will be used for the procurement of goods following National Competitive Bidding (NCB) procedures. Shopping shall be in accordance with paragraph 3.5 of the Bank's Guidelines. Any contract estimated costing more than US\$200,000 shall be procured following ICB procedures. Any contract estimated to

cost more than US\$50,000 equivalent and less than US\$200,000 shall be procured following NCB procedures. Any contract estimated to cost less than US\$50,000 equivalent shall be procured following shopping procedures. Goods that meet the requirements of paragraph 3.7 of the World Bank Procurement Guidelines may be procured following direct contracting procedures with prior agreement with IDA.

39. ***Selection of Consultants.*** The proposed grant would finance several consultancy assignments (as per the attached procurement plan). Short lists of consultants for services estimated to cost less than US\$200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The selection methods applicable for consultants are QCBS, QBS, CQS, LCS, FBS, and SSS for firms as per Section V of the Bank's Guidelines for Individuals. The threshold for CQS will be less than US\$300,000 equivalent per contract.

40. ***Operating Costs.*** The cost which would be financed by the project would be procured using the implementing agency's administrative procedures such as Procurement Law, which were reviewed and found acceptable to the Bank. The operating costs will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumable, fuel, office utilities and supplies, bank charges, communication & admin costs, and advertising expenses, but exclude any salaries and allowances of civil servants.

## Procurement Plan

### General Project Information:

**Country/Borrower:** Islamic Republic of Afghanistan

**Project Name:** DABS Capacity and Planning Support Project

Implementing Agency: Da Afghanistan Breshna Sherkat (DABS)

Grant No: [XXX]

Bank's approval Date of the Procurement Plan: [XXX]

Date of General Procurement Notice: [July 17, 2013]

Period covered by this procurement plan: 18 months

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

**Table 1: Procurement Method and Threshold**

	Procurement Method	Threshold for Methods (US\$)	Comment
1.	ICB (Works, Turnkey and S7I of Plant and Equipment)	5,000,000	Equivalent or more
2.	ICB (Goods)	200,000	Equivalent or more
3.	NCB (Works)	5,000,000	Equivalent or less
4.	NCB (Goods)	200,000	Equivalent or less
5.	Shopping (Goods )	50,000	Equivalent or less
6.	Shopping (Works)	100,000	Equivalent or less
7.	ICB (Non-Consultant Services)	200,000	Equivalent or more
8.	Commercial practices (Goods)	200,000	Equivalent or less

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

	Procurement Method	Prior Review Threshold (US\$)	Comments
1.	Works, Turnkey and S&I of Plant and Equipment	5,000,000	Equivalent or more
2.	Goods	500,000	Equivalent or more
3.	IT Systems and Non-Consulting Services	500,000	
4.	Direct Contracting	50,000	Equivalent or more

Prequalification: NIL

**Table 2: Procurement Packages with Methods and Time Schedule**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>
<b>Ref. No.</b>	<b>Contract (Description)</b>	<b>Estimated Cost (US\$)</b>	<b>Procurement Method</b>	<b>Prequalification (yes/no)</b>	<b>Domestic Preference (yes/no)</b>	<b>Review by Bank (Prior / Post)</b>	<b>Expected Bid-Opening Date</b>	<b>Comments</b>
	<b>Training Equipment for Training Center</b>	<b>750,000</b>	<b>ICB – Goods</b>	<b>No</b>	<b>No</b>	<b>Prior</b>	<b>December 2015</b>	
	<b>IT and Office Equipment for Training Center</b>	<b>250,000</b>	<b>ICB [S\$I of IT equipment]</b>	<b>No</b>	<b>No</b>	<b>Prior</b>	<b>June 2015</b>	<b>Bid evaluation completed</b>
	<b>Construction of Training Center</b>	<b>1,500,000</b>	<b>NCB – Works</b>	<b>No</b>	<b>No</b>	<b>Prior</b>	<b>June 2016</b>	

## B. Selection of Consultants

**Table 3: Selection Methods and Thresholds**

	Selection Method	Threshold (US\$)	Comments
1.	CQS for Firms	300,000	Equivalent or less
2.	QCBS,QBS, FBS, LCS	depending on the nature and complexity of assignment	

**Prior Review Threshold:** Selection decisions subject to Prior Review by World Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants:

	Selection Method	Prior Review Threshold (US\$)	Comments
1.	Competitive Methods (Firms)	200,000	Equivalent or less
2.	Competitive methods (Individuals)	100,000	Equivalent or more
3	Single Source (Firms)/Individuals	50,000	Equivalent or more

**Short list comprising entirely national consultants:** Short list of consultants for services, estimated to cost less than US\$200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.



**Table 4: Consultancy Assignments with Selection Methods and Time Schedule**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>8</b>	<b>9</b>
<b>Ref. No.</b>	<b>Description of Assignment</b>	<b>Estimated Cost (US\$)</b>	<b>Selection Method</b>	<b>Review by Bank (Prior / Post)</b>	<b>Expected Proposals Submission Date</b>	<b>Comments</b>
<b>DABSPC SP-4- SBCC- CF-3</b>	<b>Consulting Services for Staff Capacity Building for DABS Staff</b>	<b>2,000,000</b>	<b>QCBS</b>	<b>Prior</b>	<b>August 2015</b>	<b>Proposals currently under evaluation</b>
	<b>Consulting Services for design of Training Center</b>	<b>100,000</b>	<b>CQS</b>	<b>Prior</b>	<b>December 2015</b>	

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

1. Standard bidding documents approved by the Association shall be used.
2. Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
3. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
4. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
5. Foreign bidders shall not be precluded from bidding.
6. Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
7. Bidders may deliver bids, at their option, either in person or by courier service or by mail.
8. All bidders shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form shall apply only to a specific bid.
9. Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.
10. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Association.
11. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
12. Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
13. Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
14. Extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than four (4) weeks, and (B) for all subsequent requests for extensions irrespective of the period in case of prior review.
15. Negotiations shall not be allowed with the lowest evaluated or any other bidders.
16. Re-bidding shall not be carried out without the Association's prior concurrence in case of prior review; and
17. All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

**Integrated Fiduciary Assessment Template; Project Preparation (IFAP)**  
**DABS Planning and Capacity Support Project (Da Afghanistan Breshna Sherkat)**  
**Prepared by Asif Ali and Asha Narayan\_\_\_\_\_ Date October 27, 2015**

Fiduciary Element	Responsibility FM, PR or Joint	Risk Rating	Comments & Risk Mitigation	Residual Risk Rating	Key Performance Indicator (to be established by the Fiduciary Team)
<b>1. Joint Fiduciary Aspects</b>					
<b>1.1 Fiduciary Capacity (PRAMS RF4 &amp; FME 7)<sup>6</sup></b>	<b>Joint</b>	<b>S</b>		<b>Moderate</b>	
1.1.1 Is there adequate fiduciary staff based on the profile of the project, in terms of numbers and experience, to implement the project, with clear definition and segregation of functions between PR and FM?	FM	S	The FM staffing within DABS is adequate for this project. The head of the finance department recently hired has significant experience working on Bank-financed projects in other ministries. There is segregation of FM and procurement functions. Training and hands on support will be provided by the Bank to DABS staff on FM and disbursement requirements	Moderate	Maintenance of adequate subsidiary records and project supporting documents, and submission of acceptable financial reports.
	PR		There are adequate procurement staff available to DABS. There is not enough experience of procurement under WB financing and an international procurement advisor is being provided to mitigate that risk		Maintain procurement staff in adequate numbers and of adequate capacity

<sup>6</sup> References are to the 11 PRAMS Risk Factors and the 7 FM Elements, See Attachments 3 and 4

<b>Fiduciary Element</b>	<b>Responsibility FM, PR or Joint</b>	<b>Risk Rating</b>	<b>Comments &amp; Risk Mitigation</b>	<b>Residual Risk Rating</b>	<b>Key Performance Indicator (to be established by the Fiduciary Team)</b>
<b>1.2 Planning and Budgeting (PRAMS RF5 &amp; FME 1)</b>	<b>Joint</b>	S		<b>Moderate</b>	
1.2.1 Are realistic budgets and procurement plans prepared and reconciled?		S	Project annual budget will be prepared based on procurement plan. The budget will be broken down into quarters, and will be monitored against actual expenditures.	Moderate	<p>Variances between planned and actual expenditures are reported and explained</p> <p>% contracts awarded within original plan</p> <p>% of contracts reviewed exceeding cost estimate.</p> <p>% of reviewed contract unit rates exceeding market rates.</p>
<b>1.3 Internal Control (including Internal Audit)(PRAMS RF 1,2 &amp;3; FME 3)</b>	<b>Joint</b>	<b>S</b>		<b>Moderate</b>	
1.3.1 Are effective internal controls in place, as jointly assessed by financial management and procurement staff? These include internal audit, clearly defined accountability, quality control processes, and availability of complete records of the procurement and financial management processes.		S	Relevant and effective controls exist at the central and IA levels. Internal audit will be carried out by the IA unit of DABS. The internal controls will reviewed as part of implementation support.	Moderate	Monthly reconciliation is done. Payments are made for project related purpose and based on eligible criteria defined in the legal agreement. Periodic internal audits are carried out

<b>Fiduciary Element</b>	<b>Responsibility FM, PR or Joint</b>	<b>Risk Rating</b>	<b>Comments &amp; Risk Mitigation</b>	<b>Residual Risk Rating</b>	<b>Key Performance Indicator (to be established by the Fiduciary Team)</b>
<b>1.4 Contract Management (PRAMS RF10, FME 2 &amp; 3)</b>	<b>Joint</b>	H		<b>Substantial</b>	e.g., % of contracts reviewed completed within the original contract price.
<b>1.5. Project Management and Governance:</b>	<b>Joint</b>	<b>S</b>		<b>Moderate</b>	
<b>1.5.1 Audit Arrangements:</b>	<b>Joint</b>				
1.5.1.1 External Audit of Project Financial Statements (PRAMS RF 11, FME 6)	<b>Joint</b>	S	External audit will be done by the SAO with technical assistance from the audit agent based on standard TOR. Audits are normally on time and are acceptable. If there is a delay in contracting process or mobilization of the audit agent, this may generally affect the timeliness factor. However, smaller value and less complex projects' audits are completed quicker.	<b>Moderate</b>	Timely submission of audited financial statements and acceptable to the Bank
1.5.1.2 Technical Audits (PRAMS RF 11, FME 6)	<b>Joint</b>				
<b>1.5.2 Mitigating Fraud and Corruption – Transparency, Accountability and Participation (PRAMS RF 7 &amp; 11, FME 6)</b>	<b>Joint</b>	S	There are well defined procurement processes in the procurement manual for all steps of the procurement process and there is well defined oversight system in place.	<b>Moderate</b>	
<b>1.5.3 Grievance Redress Mechanisms – complaints handling (PRAMS RF 9) and grievance redress (PRAMS RF 11, FME 6)</b>	<b>Joint</b>	S	There is complaints handling mechanism both under Afghan	<b>Moderate</b>	

<b>Fiduciary Element</b>	<b>Responsibility FM, PR or Joint</b>	<b>Risk Rating</b>	<b>Comments &amp; Risk Mitigation</b>	<b>Residual Risk Rating</b>	<b>Key Performance Indicator (to be established by the Fiduciary Team)</b>
			Law and under the project procurement manual		
<b>2. Procurement Processes and Procedures (PRAMS RF 6,7 &amp;8)</b>	<b>PR</b>	H		<b>Substantial</b>	
<b>3. FM Considerations</b>					
<b>3.1 Funds Flow (FME 4)</b>	<b>FM</b>	<b>S</b>	Project will follow standard disbursement arrangements through a single segregated designated account. No funds are expected to flow to the provinces, and all payments will be centralized. However, if there is a delay in approval of the new budget, the carry forward budget facility can be used	<b>Moderate</b>	Smooth disbursements of project funds and timely processing of project payments both in DABS and MoF
<b>3.2 Accounting and Financial Reporting (FME 2 &amp; 5)</b>	<b>FM</b>	<b>Moderate</b>	All accounting will be centralized in AFMIS in MoF, and subsidiary books of accounts will be maintained by DABS. Bi-annual financial reports will be prepared and submitted by DABS	<b>Low</b>	Project maintains relevant subsidiary books of records. IFRs are submitted timely and are acceptable to the Bank
<b>FM Risk rating</b>	<b>FM</b>	S		Moderate	<b>H, S, M, L</b>
<b>Procurement Risk rating</b>	<b>PR</b>	H		Substantial	<b>H, S, M, L</b>
<b>Overall Fiduciary Risk Rating</b>	<b>Joint</b>			Substantial	<b>H, S, M, L</b>

**Annex 6: Details of donors' capacity building support to DABS  
ISLAMIC REPUBLIC OF AFGHANISTAN  
DABS Planning and Capacity Support Project**

No.	Donor Organization	Capacity building projects description	Total Budget	Timeline
1	USAID	<p>Although USAID has primarily been working with the Commercial Department of DABS, its recently launched project also includes assistance to the Operations Department in institutional capacity building and O&amp;M.</p> <p>USAID's new project includes the following components.</p> <ol style="list-style-type: none"> <li>1. Contract 1A: Complete installation of mower utility management software in Kabul and rollout systems to Mazar-e Sharif, Herat, Jalalabad, and Kandahar</li> <li>2. Contract 1B: Increase revenue collection and reduce technical losses in Kabul, Mazar-e Sharif, Herat, and Jalalabad</li> <li>3. Contract 2: Electricity Business Model, DABS operations and maintenance capacity building</li> <li>4. DABS Corporate Management Support: strengthen DABS corporate governance, financial management, procurement, HR management, and business planning.</li> <li>5. Kandahar Management Support Contract: Private sector incentive based contract to increase revenue collection and reduce technical losses in Kandahar.</li> </ol>	\$150 million	2013-2018

No.	Donor Organization	Capacity building projects description	Total Budget	Timeline
2	ADB	Financing necessary tools, equipment and spare parts for the O&M of 220kv NEPS transmission system including: <ol style="list-style-type: none"> <li>1. Transmission line tools and equipment</li> <li>2. Communication equipment.</li> <li>3. Vehicles and Cranes.</li> </ol> Also provision of some training on the O&M of HV transmission lines	\$12million	2012 – 2015
3	KFW/GIZ	KFW and GIZ’s capacity building assistance to DABS has focused primarily on the operation and maintenance of small hydropower projects in rural areas. Their project components include the followings: <ol style="list-style-type: none"> <li>1. Establishment of O&amp;M fund at DABS supporting sustainable O&amp;M of decentralized renewable energy schemes.</li> <li>2. Establishment of a unit within DABS and sustainable O&amp;M of 10 renewable energy pilot schemes in Takhar and Badakshan provinces.</li> <li>3. Testing of different operator models for decentralized RE schemes</li> <li>4. Support DABS on tariff determination and establishment of standardized DABS billing system in Badakshan and testing of connection fees in Takhar.</li> <li>5. Decentralization of monitoring schemes of DABS/MEW</li> <li>6. Establishment of DABS Customer Service Centers in Badakshan and Takhar Provinces.</li> <li>7. Electro-technical Standards including Standards adoption, Compliance with adopted standards, Testing and certifying electro-technical products.</li> <li>8. Train Renewable Energy Technicians through VTC of MEW</li> <li>9.</li> </ol>	\$ 35 million	2010-2015



		GIZ support to DABS on O&M is likely to increase and is likely to keep focusing on O&M related to existing and development of new renewable energy schemes including the establishment of a Unit within DABS to manage, operate and maintain renewable energy schemes.	TBD	2015-2017
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