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Report Number: ICRR0023474

1. Project Data

Project ID	Project Name
P145347	Trans-Hindukush Road Connectivty Project
Country	**Practice Area(Lead)**
Afghanistan	Transport

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-D0930	31-Dec-2022	60,624,159.54
Bank Approval Date	**Closing Date (Actual)**	
20-Oct-2015	31-Dec-2022	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	250,000,000.00	0.00
Revised Commitment	149,996,369.65	0.00
Actual	60,624,159.54	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) as stated in the Financing Agreement (Schedule 1, Page 4) and in the Project Appraisal Document (PAD, page 8) is:

" To improve road transport connectivity across the Hindukush mountain range ".

b. Were the project objectives/key associated outcome targets revised during implementation?
Yes

Did the Board approve the revised objectives/key associated outcome targets?
Yes

Date of Board Approval
02-Nov-2020

c. Will a split evaluation be undertaken?
Yes

d. Components
There were two original components (PAD, pages 11 - 12).

1. Road construction and rehabilitation. The estimated cost at appraisal was US$240.00 million. The revised estimate with project restructuring was US$120.00 million. The actual cost was US$40.00 million. Activities in this component included upgrading the Baghlan to Bamiyan (B2B) road to asphalt standard and rehabilitating the Salang road and repair and restoration of the tunnel. The activity of rehabilitating the Salang road was dropped with the project restructuring (discussed in Section 2e).

2. Institutional support and project management. The estimated cost at appraisal was US$25.00 million. The revised estimate with project restructuring was US$30.00 million. The actual cost was US$20.02 million. Activities in this component aimed to strengthen the capacity of the Ministry of Public Works (MPW). There were five sub-components: (i) Road Safety, including a review of the design for the two roads for detecting and remedying any potential road safety design deficiencies; (ii) Defining and implementing appropriate arrangements for effective and efficient management of the roads; (iii) Community engagement, including executing MPW's information and communications campaigns with an information communications technology-based citizen feedback mechanism and a Grievance Redress Mechanism (GRM); (iv) Training, capacity building and institutional development of MPW and the Department of Public Works (DoPW); and (v) Project Management support.

This component was added with the project restructuring on November 2, 2020.

3. Contingent Emergency Response Component (CERC). The revised estimate was US$100.00 million. This component would allow for repaid reallocation of uncommitted grant funds in the event of an eligible emergency. Funds were not disbursed for this component.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates
Project cost. The estimated cost at appraisal was US$270.00 million. The revised estimate was US$169.99 million. The actual cost was US$60.62 million. The difference between the revised estimate and actual cost was due to the non-completion of several activities during implementation as a consequence of the project's suspension.

Project financing. The project was financed by a IDA credit of US$250.00 million. US$100.00 million of the credit was cancelled for reasons discussed below. With this, the revised estimate was US$150.00 million. US$60.64 million was disbursed.

Recipient contribution. Recipient contribution of US$5.00 million was planned at appraisal. Recipient contribution was increased to US$20.00 million through the project restructuring. There was no recipient contribution during implementation.

Dates. The project was approved on October 20, 2015, became effective on January 17, 2016, and closed as scheduled on December 31, 2022.

Other changes. The main changes made during implementation are as follows:

Following the global COVID - 19 pandemic, the Bank cancelled US$100.00 million from this project and diverted the funds to fund COVID - 19 pandemic response activities at the government's request.

The main changes made through **the first level 2 restructuring on November 2, 2020** are as follows:

- The activity of rehabilitating the Salang road, which had been subject to significant cost overruns, was dropped from the project scope. The target of project beneficiaries was reduced to the population living along the B2B road.
- The scope of the upgrading the B2B road was reduced to reflect the design optimization following the Mid-Term Review.
- The project's procurement strategy for B2B road was changed to increase participation of local contractors.
- The financing for component two activities (institutional support and project management) was increased.
- A new project component - Contingent Emergency Response Component (CERC) was added.
- A gender indicator was added to reflect the project's ongoing engagement of women in formal employment.
- Funds were reallocated among disbursement categories.

The project was suspended through a Level 1 restructuring in August 15, 2021, following the government collapse in August 2021.

Split rating. This review is based a split rating of objectives, when US$52.74 million was disbursed before the collapse of the government in August 2021 in the wake of a Taliban offensive that led to a complete halt of project activities. There was no progress since then.

3. Relevance of Objectives

Rationale

Country context. Afghanistan is one of the least developed and impoverished countries in the world. This is due to a combination of factors such as decades of war and conflict within its borders, political instability, weak state institutions, governance deficiencies and dysfunctional societal relations leading to violent conflict between groups. As a result, the World Bank classifies Afghanistan as a fragile state, due to institutions' weaknesses and their vulnerability to instability, conflict and violence (FCV).

Sector context. The two project roads, the Baghlan-Banyam (B2B) road and the Salang Highway (SH) are the only two viable roads for normal traffic across the Hindukush mountain range, connecting the south and southeastern parts of Afghanistan with the north and northeastern parts. The SH carries most of the traffic, with a high share of trucks. Heavy snowfall and landslides often interrupted traffic on this road, sometimes for several days or even weeks. The B2B road, on the other hand, is used less and mainly by smaller vehicles. Although the B2B road provided a much longer road connection than the SH, the road was less steep and hence less vulnerable to snowfall. Both roads were in a dilapidated state and subject to frequent closures during extreme weather. Ensuring sustainable trans- Hindukush connectivity was the most critical transport sector priority for Afghanistan.

Since the two roads provided the only connectivity across Hindukush mountain range, the project opted for a phased and linked implementation approach to ensure that there is a reliable Hindukush road connection at all times during project implementation. Under this approach, the design prioritized upgrading the B2B road to establish an alternative primary road route across the HinduKush mountain range while the SH was being rehabilitated.

Government strategy. The PDO was well-aligned with the three pillars of the strategy articulated in the 2017 Afghanistan National Peace and Development Framework: (i) building strong and accountable institutions; (ii) supporting inclusive growth; and (iii) expanding and deepening social inclusion.

Bank strategy. At appraisal, the PDO was consistent with the three strategic objectives of the Bank's Interim Strategy Note (ISN) for 2012 to 2014: (i) building legitimacy and institutional capacity; (ii) equitable service delivery; and (iii) inclusive growth and jobs. The PDO was fully aligned with the three pillars of the Bank's current Country Partnership Framework (CPF) for 2017 - 2020: (i) building strong and accountable institutions including through improving the broader abilities of the road authorities to construct, maintain and operate the road network; (ii) fostering domestic and regional trade through strengthening the transport network; and (iii) promoting social integration by reducing the time and cost of travelling, particularly for the poorer citizens of the central, northern and southern provinces.

Previous Bank experience. The Bank has previously financed the following transport projects in Afghanistan (the National Emergency Rural Access Project, the Afghanistan Rural Access Project; and the Emergency Transport Rehabilitation Project which included a rehabilitation of the Salang Pass). Given the FCV context, this Investment Policy Financing (IPF) project had an implementation timeline of seven years (as compared to the normal five years). The project appropriately combined transport infrastructure activities and given the weak institutional capacity activities aimed at institutional strengthening of MPW.

The ICR (para 32) notes that while the PDO was consistent with the country's development and economic needs as well as the Bank's country and sectoral priorities, extensive infrastructure projects are currently not being given priority in Afghanistan due to urgent humanitarian needs and lack of funds. Therefore, the relevance of the PDO is rated as **Substantial.**

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To improve road transport connectivity across the Hindukush mountain range.

Rationale

Theory of change. Activities aimed at upgrading the B2B road and rehabilitating the Salang road, together with institutional strengthening of the Ministry of Public Works (MPW), were likely to improve transport connectivity across the Hindukush mountain range. The causal links between project activities, outputs and outcomes were logical. The intended outcomes were monitorable. The outcomes were likely to aid in the long-term development objectives of fostering trade and promoting social inclusion of poorer citizens in central, northern and southern Afghanistan.

The outcomes were predicated on the following assumptions: (i) the road agencies will provide the needed support to contractors and that contractors have sufficient capacity; and (ii) there are suitable security arrangements for contractors. One shortcoming of the theory of change is with the cancellation of the Salang road activity, the PDO could not be realized, since both roads are required for improving connectivity in the Hindukush mountain range.

Outputs.

- Road Safety audit of engineering design was completed and their recommendations were implemented along B2B road as targeted.
- 20 consultations were held with civil society and project-affected persons (with 30% of consultations focused on women), exceeding the target of 18.
- Women's participation in site clearance work ranged between two and eight percent. There were no targets for this indicator.
- Only 2% of the pavement work on the B2B road was completed, as compared to the target of 100%. 40% of the earthworks activities were completed, far short of the target of 100%. Culturally appropriate rest facilities on the road were not constructed as targeted.
- The activity associated with rehabilitation of the Salang road was cancelled.
- The outputs associated with capacity building of MPW were not completed as targeted.
- Mechanism for management, maintenance and operation of both the B2B road and the Salang Pass were not established as targeted.

Outcomes.

Given that most of the activities were not completed, the three intended outcomes were not realized.

- The average time for trucks on B2B road (Dushi to Shibar) remained at 24 hours as at the baseline and did not decrease to five hours as targeted.
- The average number of days per year when road crossing of Hindukush mountain range was not possible remained at 20 days and did not decrease to 14 days as per the revised target.
- There were no direct project beneficiaries, the achievement was far short of both the original and revised targets of 870,000 and 1,462,000 respectively.

Few outputs were completed and the outcomes were not realized. Therefore, efficacy is **negligible**.

Rating
Negligible

OBJECTIVE 1 REVISION 1

Revised Objective
To improve road transport connectivity across the Hindukush mountain range.

Revised Rationale
The project was suspended on August 15, 2022.

The outputs and outcomes described above were relevant, but there was no progress after the project was suspended.

Revised Rating
Negligible

OVERALL EFFICACY

Rationale
Overall efficacy was negligible.

Overall Efficacy Rating	**Primary Reason**
Negligible	Low achievement

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale
Overall efficacy was negligible after restructuring.

Overall Efficacy Revision 1 Rating	Primary Reason
Negligible	Low achievement

5. Efficiency

Economic analysis. The Bank conducted an economic analysis at appraisal for component one activity (upgrading the B2B road and rehabilitating the Salang road) using the Highway Development Management (HDM - 4) model. The roads accounted for 90% of the estimated cost at appraisal. The main quantifiable project benefits were to come from the expected reduction in closure times of both roads. Other quantifiable benefits were to come from reductions in vehicle operating cost and reduced accident costs. The Net Present Value (NPV) at 12% discount rate was US$520.10 million and the ex-ante combined Economic Internal Rate of Return (EIRR) for the two roads was 44.5%. The economic analysis indicated that upgrading the B2B road would be economically viable even with low traffic volume. On the other hand, the Salang road would be highly viable, given the traffic volume and the impact of reducing road closures on inventory holding costs. An ex post economic analysis could not be undertaken as the construction and upgrading work for the B2B road was not completed.

Administrative and Operational issues during implementation. After four years of implementation and cancellation of US$100.00 million from the project in the second quarter of 2020, only US$52.74 million (36% of the credit) was disbursed. The main factors affecting project implementation were the slow progress of procurement and inadequate contract management, security challenges which made it difficult to mobilize qualified firms and contractors, poor contractor performance in terms of planning and implementing physical works, exacerbated in the final years of the project by external factors due to the outbreak of the COVID - 19 pandemic.

The project did not demonstrate good value for money, even in the context of a fragile country. The cost of rehabilitating Salang Pass was significantly underestimated. A detailed structural assessment of the Salang Pass was not conducted at appraisal. The PAD indicated that a cost escalation of 50 to 100% could be expected following detailed inspection. However, cost estimates based on assessments during implementation placed the cost of rehabilitating the Salang road at 300% of the appraisal estimate. This led to the cancellation of this activity. The project scope of the B2B road was also reduced and most institutional strengthening activities were not completed when the project closed. There were outstanding payments to contractors when the project closed.

In sum, overall efficiency is rated as **negligible**.

Efficiency Rating

Negligible

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)

Appraisal	✓	44.50	90.00 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of the PDO to the Government Strategy and the Bank Strategy is rated as substantial. Efficiency is rated as Negligible. Overall efficacy was negligible both before and after project restructuring. Overall outcome is **Highly Unsatisfactory**.

a. Outcome Rating

Highly Unsatisfactory

7. Risk to Development Outcome

Technical risk. There is high risk to sustainability of development outcomes, given that project activities were only partially completed and the PDO was not achieved. Construction work at closure was limited to partially constructed culverts and other concrete works. These works were abandoned by the contractors and the ICR (para 79) noted that it is highly unlikely that partially completed construction would withstand either the traffic or environmental conditions.

Government commitment. There is high risk that the Government will not remain committed to completing the project activities.

Security risk. There is high risk to the development outcomes, given that security concerns in the country context.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Bank prepared this project based on the experiences from Bank-financed transport projects in Afghanistan (discussed in section three). The lessons incorporated at design included: (i) as the experience from these projects had shown that projects can only be implemented successfully if local communities are convinced of their benefits, the Bank prepared this project in consultations with local communities; (ii) given the weak implementation capacity in the fragile country context, the design was simple with only two components and starting the project with an Implementation Consultant to support MPW in procurement and training MPW civil servants staff to eventually handle procurement: and (iii) recognizing that cost estimates in the fragile context should take into consideration the additional insurance cost of insurance for contractors and consultants, and the cost of private security. The analytical underpinnings of this operation were sound and based on the World Bank's Systematic Country Diagnostic (SCD).

The implementation arrangements were appropriate. The MPW was in overall charge of implementing the project. A Project Management Unit (PMU) was established within MPW and was responsible for day-to-day project implementation. As the MPW and PMU had substantial capacity deficiencies in key areas of fiduciary management and disbursements, an Implementation Consultant was to be hired to support the PMT in the initial years (PAD, paras 40 and 41).

The Bank identified several risks at appraisal including political and governance risks, risks to the medium and long-term sustainability of the road infrastructure, and the weak institutional capacity of MPW. Even with mitigation measures, the overall risk at appraisal was rated as High, due to the fragile conditions (PAD, para 49). Appropriate arrangements were made at appraisal for safeguards and fiduciary compliance (discussed in sections 9 and 10).

However, there were significant shortcomings in preparation. One, the project adopted a phased implementation plan to minimize the impact of the rehabilitation of the Salang pass, including its possible closure for almost a year. The plan envisioned rehabilitation of the B2B first to make it a viable alternative during this period. Apart from the fact that implementing this phased approach was challenging, the approach meant that for achieving the original targets for the PDO indicators, both phases would need to be completed. Thus, targets were unrealistic and did not reflect the phased approach.

Two, the Bank identified the governance risks and incorporated mitigation measures such as training MPW staff through hiring an Independent Consulting Firm. The assumption that training and support provided by the Bank and implementation support by the Independent Consultant firm to the Government staff would bring their capacities to the required level proved unjustified, as the Government continued to exhibit weak capacities across all fronts (that is technical, fiduciary management and social safeguards).

Three, the project preparation team factored in the possibility of cost escalation of up to 50% to 100% for rehabilitating the Salang Pass, since detailed structural assessment was not conducted at appraisal. However, the cost estimate based on assessments during implementation was about US$170.00 million (that is, over 300% of the original estimate).

Four, although the preparation team did identify security and political upheaval risks, it adopted a reactive approach to mitigate the risks. The Bank flagged that it was uncertain how contractors and consultants would have been able to price the constantly evolving security risks that could affect construction work in the project area, since they may not be able to able to obtain security-related insurance in the market. However, it did not specify any solutions to how this risk could be addressed.

Taking these into account, the quality-at-entry was **moderately unsatisfactory**.

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

The Bank conducted twelve supervision missions during the project implementation period of seven years (on average, twice a year missions). The ICR (para 77) observed that the Bank teams conducted field visits to obtain firsthand information and provided advice on road works and associated issues. As security conditions worsened, the Bank relied on Third Party Monitoring (TPM) contracted under the Afghanistan Reconstruction Trust Fund to carry out site visits and report on contract management. The Bank cancelled US$100.00 million from this project and diverted this amount to carry out COVID - 19 activities, at the government's request. However, as the ICR notes, the Bank's efforts at diligent supervision did not have much impact given the quality-at-entry issues and the deteriorating security situation.

The quality of supervision was **Satisfactory**.

In sum, overall Bank performance is rated as **moderately unsatisfactory**, mainly due to the shortcomings at Quality-at-Entry.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The key outcome indicators for monitoring project performance - the average travel time for trucks to cross the B2B road and the average number of days for which the Salang road would be closed - were specific, measurable and appropriate for monitoring project performance. Similarly, the indicator for measuring the number of direct project beneficiaries included the population of at least 11 provinces that would benefit directly from the improved B2B road and the Salang Pass. Finally, there were measurable indicators for institutional improvement and support, including the development of staff capacities to implement projects.

b. M&E Implementation

The MPW was responsible for monitoring project performance. The staff of the provincial offices of the three provinces where the project roads were located were responsible for collecting data for monitoring performance. The ICR (para 63) notes that the staff were not always able to carry out adequate monitoring due to the security situation.

c. M&E Utilization

The M&E data was used to inform and steer the project. The ICR (para 65) notes that continuous change in project design, reduced the accuracy of efforts to monitor progress. Further, given the deteriorating security situation, the veracity of the collected data could not be ascertained.

In sum, although the M&E design was robust, overall M&E is rated as modest given that the veracity of the data could not be ascertained due to the security situation.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project was classified as a Category A (full assessment) project under the World Bank safeguard policies. Three safeguard policies were triggered at appraisal: Environmental Assessment (OP/BP 4.01); Physical Cultural Resources (OP/BP 4.11); and Involuntary Resettlement (OP/BP 4.12). (PAD, page iv).

Environmental Assessment. Given the mountainous terrain through which the B2B road corridor passes and the construction activities, environmental impacts related to the construction activities. The MPW conducted an Environmental and Social Impact Assessment (ESIA) and prepared and publicly-disclosed an Environmental and Social Management Framework (ESMF), and an Environmental and Social Management Plan (ESMP) for addressing the environmental impacts (PAD, para 94). There were no significant environmental issues during implementation (ICR, para 68). There were no specific incidents related to occupational health and safety.

Physical Cultural Resources. This safeguard was triggered as a precautionary measure as the ESIA identified a structure presumed to be from Buddhist times on B2B road. The ICR does not report of any issues with the safeguards on physical cultural resources.

Involuntary Resettlement. This safeguard was triggered as land acquisition was expected for rehabilitation and upgrading works for the two roads. The MPW conducted a Social Impact Assessment (SIA) at appraisal and a stand-alone Resettlement Policy Framework (RPF) was prepared and publicly-disclosed at appraisal to address involuntary settlement issues. The ICR notes that untimely land clearance and acquisition negatively impacted the project timeline. The process for land clearance was longer than anticipated due to the weak coordination between the Ministry of Urban Development and Land Affairs and the office of the local governor. This was exacerbated by the incomplete census survey of the affected people, as people were absent due to the prevailing security situation.

b. Fiduciary Compliance

Financial management. The Bank conducted an assessment of the financial management arrangements of the MPW at appraisal. The assessment concluded that the arrangements were adequate, subject to implementation of mitigation measures. The residual financial management risk was rated as substantial at appraisal (PAD, para 64). Financial management was rated as moderately satisfactory during implementation (ICR, para 73), mainly due to some delays in the submission of quarterly unaudited financial assets and payments to contractors.

Procurement. The Bank conducted an assessment of MPW's procurement arrangements. An Implementation Consultant (IC) was to be hired to support procurement. With mitigation measures, the procurement risk was rated as substantial at appraisal (PAD, para 75). Procurement performance was rated as moderately unsatisfactory (ICR, para 74). The project aimed to build the procurement capacity of MPW staff with the help of the IC. Given the lengthy procurement process to hire the IC firm, the United Nations Office for Project Services (UNOPS) was selected to play this role. The UNOPS contract had to be extended a few times and the project's effort at capacity building of MPW did not have much impact. The ICR does not report any case of mis procurement.

c. Unintended impacts (Positive or Negative)

There were no unintended impacts (ICR, para 51).

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Unsatisfactory	Highly Unsatisfactory	
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	High	

12. Lessons

The ICR draws the following three lessons from the experience of implementing this project, with some adaptation of language.

1. In Fragile, Conflict, and Violent (FCV) situation, complex infrastructure projects involving design and construction are more likely to succeed, if implemented through a series of projects or a multi-phased approach. This project showed that challenges in FCV conditions are much higher when design and construction are packaged under a single project, as it was not possible to determine the costs and logistical needs prior to the detailed design. This necessitated re-engineering and delays in initiating works.

2. Long term Bank engagement is necessary for rebuilding institutions in FCV countries. While this project made considerable efforts in strengthening contract administration and the technical capacities of the Ministry of Public Works (MPW), the combination of political upheavals, security and personnel safety risks outweighed the Bank's efforts.

3. Adapting Bank's procurement approaches would help in the FCV context. The Bank's approach to the procurement of project works in this project did not adequately take into account the challenges of delivering works in the Afghanistan context. This resulted in larger packages and pre-qualification requirements that precluded most Afghan firms from bidding. The awarded contracts proved unviable as the international firms were unable to operate effectively in the environment and the project was unable to verify the qualifications of the Afghan sub-contractors.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR is well-written and clear. The theory of change articulated in the text shows the clear and logical links between the project activities, outputs and outcomes. The theory of change explicitly states the assumptions under which the intended outcomes are likely to be realized. The ICR provides a candid analysis of the shortcomings at the Quality-of-Entry and acknowledges that these shortcomings could not be rectified, despite the Bank's efforts at supervision. The ICR draws good lessons from the experience of implementing this project in a FCV environment. The quality of ICR is **High**.

a. Quality of ICR Rating
High