The World Bank
Payments Automation and Integration of Salaries in Afghanistan (PAISA) (P168266)

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SOUTH ASIA | Afghanistan | Finance, Competitiveness and Innovation Global Practice |
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Implementing Agencies: Ministry of Finance, Da Afghanistan Bank

Key Dates

Key Project Dates

Bank Approval Date: 25-Apr-2019

Effectiveness Date: 25-Sep-2019

Planned Mid Term Review Date: 01-Feb-2022

Actual Mid-Term Review Date:

Original Closing Date: 31-Oct-2024

Revised Closing Date: 31-Oct-2024

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The PDO is to support the development of digital government-to-person payments in Afghanistan.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components Table

Name
Component 1: Biometric identification system for civil servants and pensioners:(Cost $5.00 M)
Component 2: Integration of the Identification, Verification and Payment Systems:(Cost $9.60 M)
Component 3: Expansion of financial services and access points:(Cost $8.40 M)
Component 4: Project management:(Cost $2.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	Moderately Satisfactory	Moderately Unsatisfactory
Overall Implementation Progress (IP)	Moderately Unsatisfactory	Moderately Unsatisfactory
Overall Risk Rating	High	High

Implementation Status and Key Decisions

This ISR presents project status as of August 15 and incorporates findings of the implementation support mission in January as well as formal monthly project meetings with Ministry of Finance (MOF) and Da Afghanistan Bank (DAB) teams.
The Payments Automation and Integration of Salaries in Afghanistan (PAISA) project was designed to leverage achievements in the payment infrastructure and systemically address operational challenges uncovered during previous mobile payment initiatives. PAISA's approach was expected to lay the foundations for digital government-to-person payments, consisting of:
  i.   [component 1] supporting the unique identification of recipients of government transfers, through the establishment of a dedicated biometric registry. Considering controversies at the time around references to ethnicity on the digital national ID (e-Tazkira or e-NID), PAISA only intended to strengthen the back-end infrastructure and establish a data protection legislation.
  ii.   [component 2] integrating the identification, verification, and payment systems to achieve straight-through processing of government payment instructions; and

iii.   [component 3] providing technical assistance and funding (incentives) for the expansion of financial access points: cash-out points to move away from costly exclusivity arrangements and cashless payment opportunities, to drive more usage by the usual early adopters.

The Government's high commitment to the e-money agenda, reinforced with the COVID-19 pandemic, has not translated into accelerated implementation of project activities. The project was restructured in December 2020 to reduce the project amount from US$45 million to $25 million, following the COVID-19 Afghanistan portfolio restructuring. Government commitment on the proposed way forward has been subsequently recorded in a time-bound project action plan to bring the project to satisfactory status which had been agreed upon during the January 2021 ISM. At the time of the ISR, only three (3) out of eight (8) key actions have been completed. Despite intensive implementation support, execution of the project action plan has been significantly delayed by MoF, NSIA and DAB.

Overall Implementation Progress (IP) and Progress towards achievement of PDO are Moderately Unsatisfactory, reflecting the overall implementation lag and the impact of prolonged uncertainty of government policies (on ID and financial access points) on project outcomes. The project has disbursed U$5 million (20 percent disbursement ratio) in advances. However, actual expenditures as of August 12 stood at below US$75,000. Ongoing commitments are below US$1 million. Despite the low execution rate, the project's IP rating has not been downgraded in light of the implementation progress in the recent months.

- *Component 1: Biometric identification system for civil servants and pensioners.* There are no activities are under implementation. Component 1 inaction is due to NSIA's request to use the digital national ID (e-NID or e-Tazkera) for biometric registration of civil servants and pensioners, in a substantial departure from the originally planned dedicated biometric registry supported by the project. The WB (including ID4D) and NSIA teams agreed to carry out a rapid diagnostic assessment in March 2021 (infrastructure, inclusivity, and utility) to inform decisions on the project design. The Diagnostic report is not yet available.
- *Component 2: Integration of the Identification, Verification and Payment Systems.* The only substantive progress in the project has been achieved through this component and relates to the integration of financial institutions with the national payment switch (Afghanistan Payment System, APS). After protracted procurement delays until February 2021 for the integration of mobile money operators with the APS, the project's support to interoperability in the financial sector in Afghanistan has progressed well. As per DAB reports as of August 14, all targeted financial institutions (12 banks, 4 mobile money providers, 4 payment institutions and 3 microfinance institutions) have been onboarded onto the APS. In addition, DAB systems have been successfully connected with DABS utility company and major MoF systems, such as the AFMIS, SIGTAS, ASYCUDA to support the digitization of government payments. The procurement of goods, consultancy and other services to maintain or upgrade the APS infrastructure at DAB was however still ongoing (U$2.7 million). Through this component, a consultant was recruited to advise DAB on payments issues. On Ministry of finance side, the procurement of servers and licenses to strengthen the system's capacity to integrate with other government systems has been initiated.
- *Component 3: Expansion of financial services and access points.* The implementation of this component has not started, pending the finalization by DAB of the strategy for the expansion of financial access points. The implementation of the strategy, in particular the incentives to market participants, for the adoption of digital payments was planned to be financed by the project.
- *Component 4: Project management:* While DAB's project team is complete with the appointment of DAB staff to serve in the PIU, staffing at MoF remains incomplete.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	☐High	☐High	☐High
Macroeconomic	☐High	☐Substantial	☐High
Sector Strategies and Policies	☐High	☐High	☐High
Technical Design of Project or Program	☐High	☐High	☐High
Institutional Capacity for Implementation and Sustainability	☐High	☐High	☐High
Fiduciary	☐Substantial	☐Substantial	☐Substantial
Environment and Social	☐Low	☐Low	☐Low
Stakeholders	☐High	☐Substantial	☐Substantial
Other	☐Substantial	☐Substantial	☐Substantial

Overall	☐High	☐High	☐High

Results

PDO Indicators by Objectives / Outcomes

Unique identification of civil servants and pensioners for G2P payment purpose

► Percentage of civil servants and pensioners biometrically-registered and issued a unique identifier for payment purposes (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	70.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	This is the percentage of civil servants and pensioners who are biometrically-registered and received a unique identification number issued through NSIA and to be used for payment purposes. No change in value - relevant activities have not started.			

☐ Percentage of female civil servants and pensioners biometrically registered (Percentage, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	70.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024

Increased efficiency in government payments

► Percentage of civil servants and pensioners who received government payments through electronic channels (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	60.00	60.00	60.00	80.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	This is indicator will calculate the percentage of civil servants and pensioners receiving payments through electronic means including banks accounts as well as mobile wallets. This indicator will be disaggregated by gender. No change in value - relevant activities have not started,			

☐ Percentage of female civil servants and pensioners who receive government payments through electronic channels (Percentage, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	60.00	0.00	0.00	80.00

Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024

Increased capacity for digital payments

►Number of financial access points (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2,890.00	2,890.00	2,890.00	3,250.00
Date	30-Sep-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	The term " financial access points" is meant as the sum of: (1) the number of branches of commercial banks and licensed Electronic Money Institutions; (2) the number of active agents of licensed financial institutions; (3) the number of in-service ATMs of commercial banks; and (4) the number of POS terminals accepting electronic payments. Once MFIs connect to APS, their branches will be included. No change in value - Updated data on active number of agents not available with DAB. Related project activities have also not started.			

►Percentage of financial institutions connected to the APS (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	14.00	68.00	68.00	100.00
Date	31-Dec-2018	16-Dec-2020	12-Aug-2021	31-Oct-2024
Comments:	No change in value: the onboarding of additional financial institutions is ongoing. Certificates of completion are pending for 4 financial instiutions.			

Intermediate Results Indicators by Components

1. Biometric identification system for civil servants and pensioners

►Unified biometric identification system for civil servants and pensioners is implemented (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	This indicator is meant to follow up on the progress towards setting up a national unified platform for biometric identification. No change in value - relevant activities have not started.			

►Legal and regulatory framework established, including for data protection (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target

Value	Inadequate	Inadequate	Inadequate	A comprehensive legal framework has been enacted
Date	01-Mar-2019	15-Oct-2020	12-Aug-2021	31-Oct-2021
Comments:	A comprehensive legal framework - that sets out the purposes of the ID system, defines the role, duties, governance and independence of the NSIA, sets out the scope of personal data to be collected, establishes appropriate data protection and privacy rights (assuming no general data protection and privacy framework is enacted), creates a mandate for technology and vendor neutrality, and is harmonized with existing legal instruments will be developed. No change in value - the procurement for the related consultancy assignment to develop a comprehensive legal and regulatory framework has not yet stated (Terms of reference have been finalized)			

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2. Integration of the Identification, Verification and Payment Systems

►Number of government systems integrated with AFMIS (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	2.00	1.00
Date	31-Dec-2018	15-Dec-2020	12-Aug-2021	31-Oct-2024
Comments:	Integration between AFMIS - APS and ATS completed			

►Number of digital transactions facilitated through APS for the year (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	37,811.00	106,239.00	239,601.00	419,063.00
Date	31-Dec-2018	31-Dec-2019	15-Dec-2020	31-Oct-2024
Comments:	As more financial institutions are connected , the volume of digital transactions routed through APS increases.			

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3. Expansion of financial services and access points

►Percentage of civil servants that are active users of digital payments (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	5.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	No change in value - relevant activities have not started This indicator measures the percentage of civil servants that have used digital payments at least once over a 12-month period. Digital payments will include but not be limited to: transactions via card, mobile and other digital platforms. Through a series of surveys, this indicator will monitor usage of digital payments. This indicator tracks the adoption of digital payments, and monitors digital transactions.			

☐Percentage of female civil servants that use digital payments (Percentage, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	5.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024

►Number of agents of licensed financial institutions (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	1,879.00	1,879.00	1,879.00	2,250.00
Date	30-Sep-2018	15-Oct-2020	09-May-2021	31-Oct-2024
Comments:	The number of active agents of licensed financial institutions offering, at the minimum, cash-in and cash-out services No change in value - updated data not yet available ; and relevant activities have not started			

☐Number of female agents (Number, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	180.00	180.00	180.00	225.00
Date	30-Sep-2018	15-Oct-2020	09-May-2021	31-Oct-2024

4. Project Management

►Percentage of civil servants and beneficiaries that are satisfied with the level of service (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	75.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	No change in value - the GRM is not yet in place. Progress is behind schedule, partly due to COVID-19 and uncertainty over project activities. Establishment of GRM is pending recruitment of a safeguard specialist .			

☐Women only - Satisfaction with level of service (Percentage, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	75.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024

►Grievances addressed within stipulated time (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target

Value	0.00	0.00	0.00	80.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024
Comments:	This indicator measures effectiveness of citizen feedback mechanisms established under the Project. It measures the percentage of cases (including complaints and inquiries) that are addressed as per the standards agreed upon in the GRM procedures. No change in value - the GRM is not yet in place. Progress is behind schedule, partly due to COVID-19 and uncertainty over project activities. Establishment of GRM is pending recruitment of a safeguard specialist .			

☐Women only - Grievances addressed within stipulated time (Percentage, Custom Breakdown)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	80.00
Date	01-Dec-2018	15-Oct-2020	12-Aug-2021	31-Oct-2024

**Performance-Based Conditions**

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P168266	IDA-D4530	Effective	USD	10.00	5.60	4.40	1.10	4.58	19%
P168266	TF-B0027	Effective	USD	35.00	19.40	15.60	3.91	15.49	20%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P168266	IDA-D4530	Effective	25-Apr-2019	01-Jul-2019	25-Sep-2019	31-Oct-2024	31-Oct-2024
P168266	TF-B0027	Effective	25-Apr-2019	01-Jul-2019	25-Sep-2019	31-Oct-2024	31-Oct-2024

Cumulative Disbursements
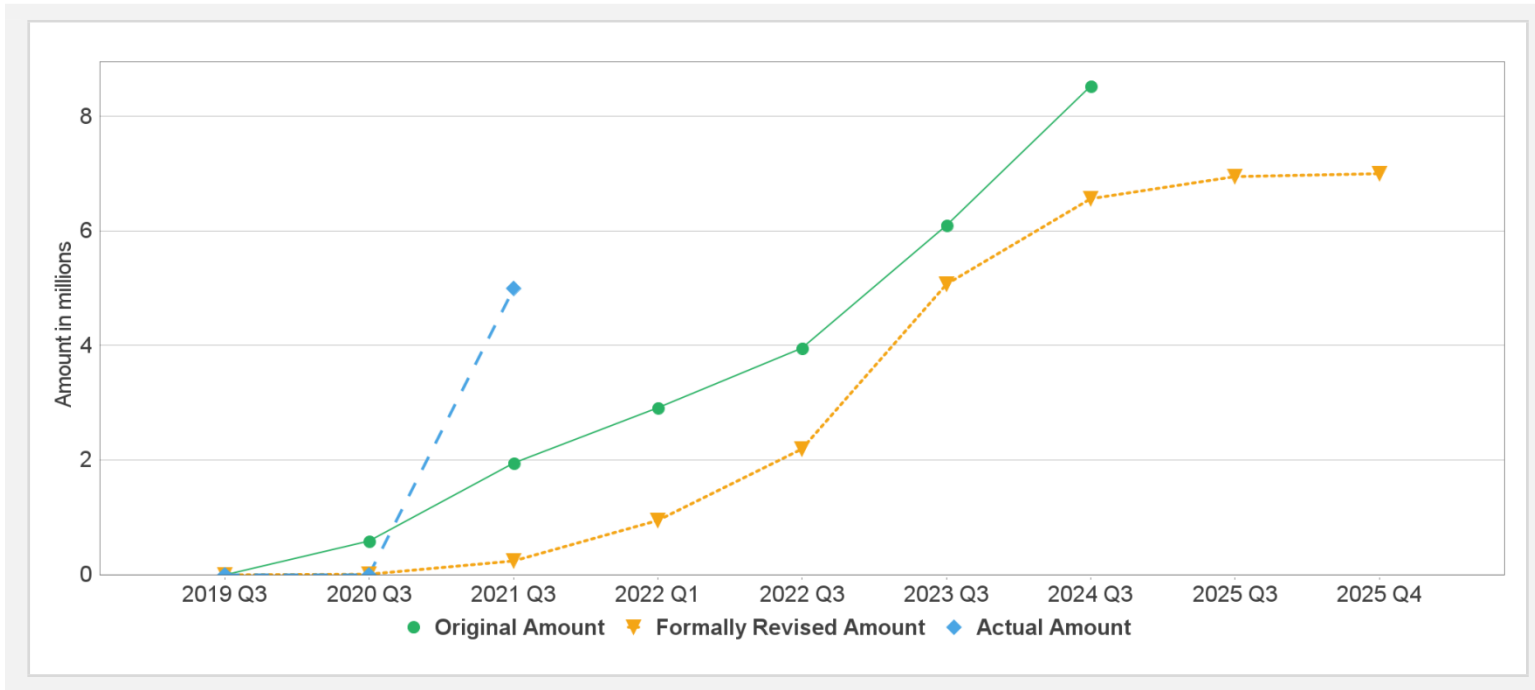
PBC Disbursement

PBC ID	PBC Type	Description	Coc	PBC Amount	Achievement Status	Disbursed amount in Coc	Disbursement % for PBC

Restructuring History

Level 2 Approved on 24-Dec-2020

Related Project(s)

There are no related projects.