



## Fiscal Performance Improvement Support Project (FSP): (P159655)

SOUTH ASIA | Afghanistan | Governance Global Practice |  
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 9 | ARCHIVED on 24-Sep-2021 | ISR48048 |

Implementing Agencies: Ministry of Finance, Islamic Republic of Afghanistan, National Procurement Authority, Supreme Audit Office

**Key Dates****Key Project Dates**

Bank Approval Date: 19-Dec-2017

Effectiveness Date: 01-Jan-2018

Planned Mid Term Review Date: 30-Jun-2020

Actual Mid-Term Review Date: 16-Jun-2020

Original Closing Date: 28-Dec-2022

Revised Closing Date: 28-Dec-2022

**Project Development Objectives**

Project Development Objective (from Project Appraisal Document)

To contribute to the improvement of domestic revenue mobilization and public expenditures management, and of reinforcing a performance oriented management culture in the Ministry of Finance.

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

No

**Components Table**

Name

Component 1: Budget as Tool for Development:(Cost \$3.31 M)

Component 2: Revenue Mobilization:(Cost \$20.16 M)

Component 3: Treasury Management, Accountability, and Transparency:(Cost \$24.82 M)

Component 4: Institutional Capacity Building and Performance Management:(Cost \$11.71 M)

**Overall Ratings**

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Implementation Progress (IP)	<input type="checkbox"/> Moderately Satisfactory	<input type="checkbox"/> Moderately Satisfactory
Overall Risk Rating	<input type="checkbox"/> Substantial	<input type="checkbox"/> High

**Implementation Status and Key Decisions**

The Fiscal Performance Improvement Support Project (FSP) is designed to improve management of public finances in Afghanistan by strengthening the capacity of the Ministry of Finance, the National Procurement Authority and the Supreme Audit Office. The FSP supports implementation of the Afghanistan Fiscal Performance Improvement Plan (FPIP) through recipient-executed investment financing.

The Project Development Objective (PDO) is: "to contribute to the improvement of domestic revenue mobilization and public expenditures management, and of reinforcing a performance-oriented management culture in the Ministry of Finance". The project focuses on four key result areas: (i) Improved development budget execution rate; (ii) Increased domestic revenue as a percentage of GDP; (iii) Increased compliance with audit recommendations; and, (iv) Improvement in core institutional capacity, represented by a reduction in the number of long-term technical assistants.



Financing is provided by a US\$25 million International Development Association (IDA) grant and a US\$75 million grant from the Afghanistan Reconstruction Trust Fund (ARTF), managed by the World Bank on behalf of 34 donors. This was approved by the ARTF Management Committee on December 13, 2017 and the World Bank Board on December 19, 2017. While US\$40 million from initial ARTF grant amount has been cancelled based on June 24, 2020 request for reallocation of these funds for COVID-19 crisis response, the project is still strongly owned and parallel financed by the Government of the Islamic Republic of Afghanistan (GoIRA).

The FSP provides strategic support at a critical moment in Afghanistan’s development. Improved public financial management and revenue generation is central to the Government’s self-sufficiency agenda. To enable development results in this high-risk operation, the FSP is complemented by tailored World Bank-executed technical assistance and a new series of Incentive Program (IP) Development Policy Grants (DPGs). This approach creates strong incentives for progress while tangibly supporting Government’s technical reforms at an investment level.

The FSP became effective on January 1, 2018. Overall Implementation Progress and progress towards achievement of the PDO are currently rated as “Moderately Satisfactory”. Key implementation developments to date include:

- (a) **Component 1: Budget as Tool for Development.** Implementation by the Ministry of Finance (MoF) of key enhancements to the budget process through a revised budget circular and budget submission template; introduction of strategic screening and improvement of costing information in budget submissions.
- (b) **Component 2: Revenue Mobilization.** Implementation by the Afghanistan Revenue Department (ARD) of key re-organization and modernization measures and of electronic filing; support to increase the number of active tax filers across both the large (20 percent) and small tax payer (3 percent) offices. Continued roll-out of the Automated Systems for Customs Data (ASYCUDA) system, with majority of Customs offices connected.
- (c) **Component 3: Treasury Management, Accountability, and Transparency.** Development of four key Electronic Government Procurement (eGP) modules by the National Procurement Authority (NPA); alongside complementary advances in Open Contracting Partnership (OCP) and Open Contract Data Standards (OCDS) implementation.
- (d) **Component 4: Institutional Capacity Building and Performance Management.** Development and launch by the MoF Performance Management Team (PMT) of a publicly accessible web-based Afghanistan Performance Management Information System (APMIS); alongside roll-out of FPIP to 140 teams across MoF, the NPA, and Supreme Audit Office (SAO).

The project mid-term review (MTR) was conducted from June 16 through July 11, 2020. The MTR mission worked closely with MoF, NPA and SAO to ensure that the project realigns its activities based on the revised budget without substantial impact on the ability to achieve the PDO. Despite some deterioration in the dynamics of results indicators following the MTR mission, the implementation continued to progress in all three counterpart agencies until August 15, 2021. This report documents the project implementation status as of August 15, 2021.

## Risks

### Systematic Operations Risk-rating Tool

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



Stakeholders	□ Substantial	□ High	□ High
Other	□ High	□ High	□ High
Overall	□ High	□ Substantial	□ High

## Results

### PDO Indicators by Objectives / Outcomes

To contribute to the improvement of public expenditures management.				
▶ Increased development budget execution rate (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	54.00	82.00	82.00	75.00
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	The performance of the indicator deteriorated due to the cancelations or delays in implementation of many development project as a result of COVID-19 reallocations for urgent spending. Nevertheless, the indicator remains on track and met the third year target of 66%.			
▶ Effective implementation by budgetary units on the external audit recommendations (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	15.00	30.60	30.60	60.00
Date	30-Aug-2017	31-Mar-2020	31-Mar-2020	28-Dec-2022
Comments:	As of the MTR reporting the indicator remained on track (measured as an average), but most of the pilot ministries still performed poorly. However, situation deteriorated in 2020, since many audits and related follow-up activities have been delayed. The indicator update for 2020 is still not available as of the preparation of the current report.			

To contribute to the improvement of domestic revenue mobilization.				
▶ Increased domestic revenue as a percentage of GDP (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.70	11.80	11.80	12.20
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	The reported estimated value of the indicator for 2020 is significantly affected by the COVID-19 pandemic, but still exceeds the 11.6 percent target for the third year. The revenue decreased by 7% for ACD and 4.5% for ARD compared with 2019. Non-tax revenue was also significantly reduced, resulting in a total revenue to GDP estimate of 11.8 percent by the end of 2020.			



To contribute to reinforcing a performance oriented management culture in the Ministry of Finance.

► Improvement in core institutional capacity, represented by a reduction in the number of long-term technical assistants (Number, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	780.00	492.00	492.00	250.00
Date	30-Aug-2017	18-May-2021	18-May-2021	28-Dec-2022
Comments:	Despite partial progress the indicator remains off-track significantly exceeding the third year target of 350 NTAs.			

### Overall Comments

No updates are available and proposed for PDO indicator values reported by June 2021 ISR.

### Intermediate Results Indicators by Components

Component 3: Treasury Management, Accountability, and Transparency

► Approved time-bound development and migration plan to a new AFMIS platform (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	30-Aug-2017	18-May-2021	18-May-2021	28-Dec-2022
Comments:	Development of the system is the responsibility of NSIA. MoF is closely working with NSIA on the development of new system, and, inline with the agreed next steps, will prepare the AFMIS development and migration plan. The approach was outlined by NSIA and is expected to be formalized by end-2021.			

► Afghanistan Institute of Certified Public Accountants (CPA) established and two batches trained (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Institute not established	Associate Memberships of SAFA and CAPA are obtained.	Associate Memberships of SAFA and CAPA are obtained.	Institute established, CPA law enacted, and curriculum developed
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	The indicator only partially met the third year target of "Training completed for first batch (including at least 5 females), and reciprocal membership agreement signed with two international/regional accountancy bodies". Despite the progress made on part of establishment of international partnerships, the training of the first batch will be conducted after the ongoing review of the curriculum by ACCA is completed.			



► Rolling out e-GP in the pilot phase in 3 or more departments (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	3.00	3.00	3.00
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	Different modules of the system have been rolled out to three plus pilots exceeding the third year target. The reported 3 pilots are for the e-tendering module, while the others (e-planning and contract monitoring) already covered 72 pilot entities.			

Component 2: Revenue Mobilization				
► Implement ARD Re-Organization and Modernization Plan (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Plan approved by cabinet	There is no reorganization and modernization plan submitted for Cabinet approval	There is no reorganization and modernization plan submitted for Cabinet approval	All regional revenue offices report to ARD
Date	30-Aug-2017	31-Jan-2021	31-Jan-2021	28-Dec-2022
Comments:	The indicator is off-track. The ARD currently manages its organizational structure through own Tashkeel, but the relevant changes are not guided by a broader reorganization and modernization plan requiring a formal approval of the Cabinet.			
► Increased number of active tax filers (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	LTO: 195; MTO: 5325; STO: 3137	LTO: 1,153; MTO: 13,249; STO: 8,517	LTO: 1,153; MTO: 13,249; STO: 8,517	LTO: 380; MTO: 10400; STO: 6713
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	The indicator exceeded the third year targets for each of the taxpayer groups.			
► Staff and business processes are in place for VAT implementation in 2020 (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No staff or processes in place	Preparation for the VAT implementation is in progress	Preparation for the VAT implementation is in progress	VAT business processes developed and staff trained
Date	30-Aug-2017	18-May-2021	18-May-2021	28-Dec-2022
Comments:	The indicator is partially on track. Although the ARD has been preparing for the VAT implementation by drafting selected business processes and technical specifications for the SIGTAS VAT module, further validation is needed, especially for key documents requiring formal approval either by the VAT Steering Committee or ARD Director General.			



► Percentage increase in custom duties through enhancement of ASYCUDA customs automation (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	91.00	91.00	100.00
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	Despite the slight setback the indicator exceeds the third year target (60 percent).			

Component 4: Institutional Capacity Building and Performance Management				
► Establishment of Asset Inventory Management System (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	30-Aug-2017	31-Jan-2021	31-Jan-2021	28-Dec-2022
Comments:	The indicator is on track. The asset management system for MoF is already developed and is currently being populated with the information on the asset inventory.			
► Improvement in performance management coverage, represented by an increase in the number of teams adopting FPIP (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	90.00	140.00	140.00	140.00
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	The number of teams adopting FPIP within MoF, SAO, and NPA has increased to 140, exceeding the third year target (120).			
► Transparency and citizen engagement in reform planning, represented by timely publication of annual and mid-year FPIP assessment reports (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	Yes	Yes	Yes
Date	30-Aug-2017	31-Dec-2020	31-Dec-2020	28-Dec-2022
Comments:	APMIS developed and used to publish 2018, 2019, 2020 FPIP plans. Deputy Minister for Finance launched town hall budget hearings in five zones.			

Component 1: Budget as Tool for Development				
► Increased budget execution rate of the provinces by implementing new provincial budgeting policy. (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value				
Date				
Comments:				



Value	57.00	87.00	87.00	75.00
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	Provincial budget execution for 2020 was 87 percent, exceeding the third year target (69 percent), but affected by COVID-19 pandemic. However, the implementation of the policy is still affected by the limitations for communication with provinces.			
<b>► Gender budget statements developed for key ministries (Text, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5 ministries	20 ministries	20 ministries	12 ministries
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	A toolkit has been developed for gender sensitive budget analysis, that will help in preparation of gender statements for pilot ministries. Currently, Gender Budget Statements (GBS) have been developed for 20 pilot line ministries.			
<b>► Large projects are properly appraised with the support of a new PIM Unit to be established (Percentage, Custom)</b>				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	100.00	100.00	50.00
Date	30-Aug-2017	21-Dec-2020	21-Dec-2020	28-Dec-2022
Comments:	Since 2019 MoF mandated that all Project Concept Notes (proposals) go through appraisal. In 2020 indicator value remained at the level of 100 percent well exceeding the third year target (30 percent).			

### Overall Comments

No updates are available and proposed for intermediate result indicator values reported by June 2021 ISR.

### Performance-Based Conditions

#### Data on Financial Performance

#### Disbursements (by loan)

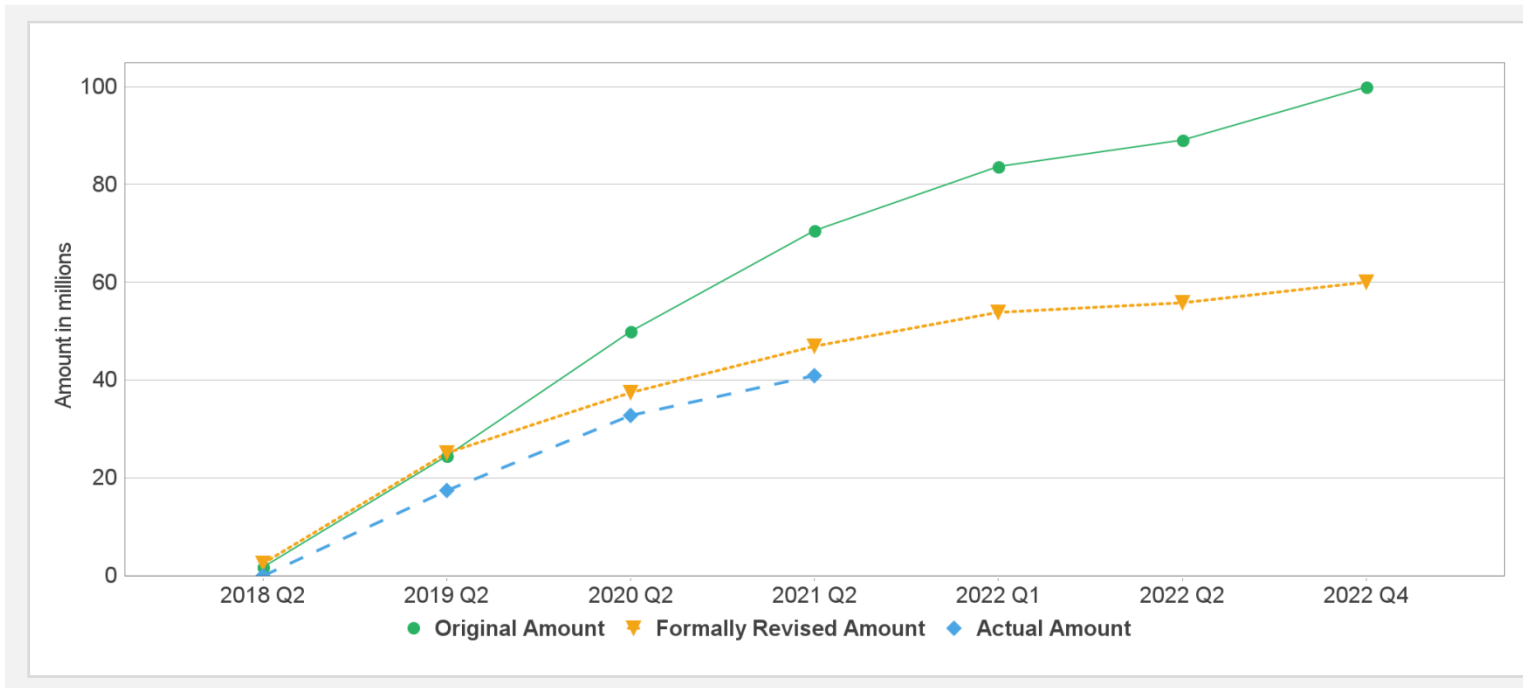
Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P159655	IDA-D2630	Effective	USD	25.00	25.00	0.00	24.94	0.00	100%
P159655	TF-A6277	Effective	USD	75.00	35.00	40.00	20.00	15.00	57%

#### Key Dates (by loan)



Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P159655	IDA-D2630	Effective	19-Dec-2017	25-Dec-2017	01-Jan-2018	28-Dec-2022	28-Dec-2022
P159655	TF-A6277	Effective	19-Dec-2017	25-Dec-2017	01-Jan-2018	28-Dec-2022	28-Dec-2022

### Cumulative Disbursements



### PBC Disbursement

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

Level 2 Approved on 16-Sep-2020

### Related Project(s)

There are no related projects.