



1. Operation Information

Operation ID P168446	Operation Name 2019 Incentive Program DPO
Country Afghanistan	Practice Area (Lead) Macroeconomics, Trade and Investment

Non-Programmatic DPF

L/C/TF Number(s) IDA-D4860	Closing Date (Original) 31-May-2020	Total Financing (USD) 99,738,523.44
Bank Approval Date 20-Jun-2019	Closing Date (Actual) 31-May-2020	
	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	100,000,000.00	0.00
Revised Commitment	100,000,000.00	0.00
Actual	99,738,523.44	0.00

Prepared by William F. Steel	Reviewed by Judyth L. Twigg	ICR Review Coordinator Jennifer L. Keller	Group IEGEC
--	---------------------------------------	---	-----------------------

2. Program Objectives and Pillars/Policy Areas

a. Objectives

The Program Document (PD, p.3) continues the program development objectives (PDOs) from the first (2018) Incentive Program Development Policy Operation (IP-DPO) as:“(i) strengthening the policy framework to support state effectiveness, private investment, and social inclusion; and (ii) improving the policy and institutional framework for public financial management.”



For the purpose of this ICRR, as for the 2018 IP-DPO, the PDOs are disaggregated into the following distinct objectives:

1. Strengthen the policy framework to support state effectiveness
2. Strengthen the policy framework to support private investment
3. Strengthen the policy framework to support social inclusion
4. Improve the policy and institutional framework for public financial management.

b. Pillars/Policy Areas

As for the 2018 IP-DPO, the operation was structured around two pillars: (1) strengthening the policy framework to support state effectiveness, private investment, and social inclusion; and (2) improving the policy and institutional framework for public financial management.

Under Pillar 1, “strengthening the policy framework to support state effectiveness, private investment, and social inclusion,” the prior actions (PAs) for the initial IDA Grant and the tranche triggers (TRs) for the complementary grant from the Afghanistan Reconstruction Trust Fund (ARTF) supported the three policy areas of objectives 1, 2 and 3 (Table 1). Some PAs [henceforth taken to refer also to TRs] (#s 2, 5, 7 and 8) supported more than one policy area (sub-actions supporting objective 3 for social inclusion are underlined).

Pillar 2, “improving the policy and institutional framework for public financial management,” addressed PDO 4 in the areas of public investment (PA 7), tax administration (PAs 8-10), budgeting (PA 11), and transparency and accountability in revenue and cash management (PAs 12-13).

Table 1: Policy Actions and Tranche Triggers

Objective (Disaggregated) and Policy Action/Trigger
Pillar 1: Strengthening the policy framework to support state effectiveness, private investment, and social inclusion
Objective 1: Strengthen the policy framework to support state effectiveness
1. To develop a regulatory framework for e-money and digital payments : i) Da Afghanistan Bank (DAB) issues a circular to operating banks and the Ministry of Finance (MOF) issues a circular to tax and customs directorates and provincial offices allowing for electronic payment of customs and tax dues ; and ii) DAB issues a circular requiring participation of all mobile money providers, payment card issuers, and acquiring banks in Afghanistan Payment System to enable interoperability. TR, ARTF
2. To support implementation of its Civil Servants Law , the Recipient’s: (i) Cabinet has approved (A) the Civil Service Pay Management Policy, (B) the Policy for Increasing Women’s Participation in Civil Service, as well as (C) the Customs Cadre Regulation and the Procurement Cadre Regulation ; and (ii) Independent Administrative Reform and Civil Service Commission has approved the Procedure on Civil Servants’ Recruitment through Mass Competitive Exam . PA, IDA



<p>3. To improve management of water resources, Cabinet has approved and submitted to the National Assembly a revised water law which includes: i) clarification of Ministry of Energy and Water (MEW) and Ministry of Agriculture, Irrigation and Livestock (MAIL) mandates; ii) recognition of traditional water use rights; and iii) provisions governing dam safety, pollution, and groundwater. PA, IDA</p>
<p>4. To improve land administration the Supreme Court and Ministry of Urban Development and Land (MUDL) sign a protocol transferring responsibility for deed registration to MUDL in Herat city. TR, ARTF</p>
<p>Objective 2: Strengthen the policy framework to support private investment</p>
<p>See also PA 4 above.</p>
<p>5. To support private sector development through improved access to credit, DAB has: (i) issued a circular altering collateral requirements to allow inclusion of risk guarantees from Afghan Credit Guarantee Foundation; and (ii) entered into a memorandum of understanding with the National Electricity Utility of Afghanistan (DABS) to allow data sharing to provide operating banks with additional information in evaluating creditworthiness of potential borrowers through the Recipient’s public credit registry. PA, IDA</p>
<p>6. To reduce the costs and time requirements of accessing electricity, DABS’ Senior Management Group: i) approves simplified subscription procedures for commercial and industrial customers; ii) establishes a fast-track center for large customers in Kabul; and iii) approves a formal written procedure to regularly review and manage domestic and international power purchase agreements (PPA) including through the establishment of a multi-disciplinary team with the mandate of managing such contracts. TR, ARTF</p>
<p>See also PA 9 below.</p>
<p>Objective 3: Strengthen the policy framework to support social inclusion</p>
<p>See PAs 2 & 5 above and 7 below.</p>
<p>Pillar 2: Improving the policy and institutional framework for public financial management</p>
<p>Objective 4: Improve the policy and institutional framework for public financial management</p>
<p>7. To improve public investment management, the circular for the 2020 budget: i) includes detailed guidelines on financial, economic, and gender analysis; and ii) specifies that no new project proposal of greater than USD 7.5 million will be approved for further appraisal through the discretionary budget for 2020 without strategic fit analysis, and no new project of greater than USD 7.5 million will be approved for implementation without project appraisal including financial, economic, and gender analysis. TR, ARTF</p>
<p>8. To improve tax administration, MOF issues a circular to make fast-track tax filing mandatory for banking and telecommunication sectors in the large taxpayer office (LTO) and available for optional use in the medium taxpayer office (MTO). TR, ARTF</p>
<p>9. To improve tax administration, a Tax Dispute Resolution Board is equipped with five board members and a secretariat. TR, ARTF</p>
<p>10. To strengthen tax policy Cabinet approves value-added tax (VAT) regulations, including proposed exemptions by Harmonized System code and refund procedures. TR, ARTF</p>
<p>11. To underpin implementation of the new operations and maintenance (O&M) policy, a MOF circular mandates the use of revised norms for civilian vehicles and buildings in at least four pilot ministries in preparing the 2020 budget. TR, ARTF</p>
<p>12. To improve transparency, MOF publishes fortnightly revenue reports on its website that: i) provide full disaggregated tax and customs performance data at the level of collection points; and ii) track progress against government revenue targets. TR, ARTF</p>
<p>13. To improve accountability and quality of cash-management, the cash management committee meets at least every 21 days and publishes minutes of decisions taken at those meetings on its website within 7 days of the meeting. TR, ARTF</p>



c. Comments on Program Cost, Financing and Dates

Program cost was estimated at USD 400 million, of which USD 100 million was to be financed from an IDA grant and USD 300 million from the ARTF, a multi-donor funding mechanism for reconstruction support, which the government and the World Bank wished to convert into a standard Development Policy Financing operation.

The initial IDA grant amounting to USD 99,738,523 was released on 18 July 2019. As an innovative approach to motivating continued progress in reforms and minimizing budget disruption if some policy actions were delayed, the ARTF grant was programmed in ten tranches of USD 30 million each, totaling USD 300 million, each with a specific tranche release trigger, and a 10 percent per month penalty for each month of delay beyond the target trigger completion date. All triggers were completed on time, and the ten tranches were released over a six-month period from 18 July to 18 December 2019.

The operation was approved on 20 June 2018; became effective 8 July 2018; and closed as expected on 31 May 2020.

3. Relevance of Design

a. Relevance of Objectives

Although designed as a stand-alone operation, the 2019 IP-DPO was “the second of three planned stand-alone operations aligned with the Government’s three-year program of policy reforms” (ICR, para. 1). This approach of designing each operation successively was a reasonable strategy to build momentum for reforms in a coordinated way in the face of high uncertainty and risk due to the fragility of the Afghan state, a “dire” security situation, severe drought, and “strong economic headwinds” (ICR, paras. 3-5), among other challenges that made it difficult to plan the specifics of a three-operation series in advance. Complementary support through other World Bank projects and technical assistance (e.g., Land Administration, Farm Water Management, Fiscal Performance Improvement) and the United States Agency for International Development (USAID, Investment Climate Program) was set forth in PD Table 4.

The PDOs were directly aligned with the government’s strategies as stated in the Afghanistan National Peace and Development Policy Framework (ANPDF) and Fiscal Performance Improvement Plan (FPIP). These strategies were intended to continue and deepen the reforms undertaken under reconstruction since the fall of the Taliban in 2001. Despite substantial progress, the economy, society, and political stability remained fragile and conflict-affected. However, the objectives were set at a very high level, making it difficult to measure and achieve them within the time frame of a single operation. More modest or focused objectives would have been better aligned with the scope of the prior actions. This was particularly the case with the “state effectiveness” objective, given that “Afghanistan remained a poor fragile state” with “major constraints in the capacity of its civil service” (ICR, paras. 3 and 7).

The first pillar addressed several of the priorities and development objectives identified in the ANPDF, i.e. (PD, para. 24): “i) improving governance and state effectiveness through public sector reform, rooting out corruption and strengthening subnational governance; ii) building social capital and nation building through reforming the



justice sector and building national identity; iii) economic growth and job creation through agriculture development, private sector growth, and mineral and resource development; and iv) poverty reduction and social inclusion through improving the quality of health and education programs.” The second pillar and PDO4 addressed the three key areas of the five-year rolling program for public sector financial management (PFM) reform in the FPIP, namely: (i) improving investment performance through strengthened macro-fiscal planning and policy coordination; (ii) ensuring a more accurate, transparent, and accountable budget through improving budget preparation and reporting, treasury and procurement functions, and revenue and customs management; and (iii) building capacity to manage reforms in the areas of human resources, administration, finance, information technology, and communications” (PD para. 24).

The objectives were well aligned with the World Bank’s Country Partnership Framework (CPF, FY17-20, para. 31). The CPF, which remained in force at closing, is organized under three pillars: (i) building strong and accountable institutions; (ii) supporting inclusive growth; and (iii) expanding and deepening social inclusion. The first pillar is intended to lay the foundation for the subsequent pillars by strengthening the institutions needed to implement activities, in particular to build a professionalized civil service.

b. Relevance of Prior Actions

Rationale

The 13 policy actions included three prior actions for the initial IDA grant and ten triggers for release of ten tranches of ARTF grants, of which six supported pillar 1 and seven supported pillar 2. The reforms were “aligned with the ANPDF, which was developed through extensive consultations with civil society and the private sector” (PD, para. 84). The ICR for the 2018 IP-DPO (pp. 14-15) noted that it was recognized that some PAs would provide only initial steps toward achievement of the objectives, not directly generate the desired outcomes within a limited time frame, and that continuing support was being provided through other projects to achieve desired outcomes. PAs 1, 2, 6 and 11 specifically carried forward initiatives taken under the 2018 IP-DPO. Seven of the PAs had two or more parts or actions.

Relevance of PAs for Pillar 1: Strengthening the policy framework to support state effectiveness, private investment, and social inclusion

PA 1 “to develop a regulatory framework for e-money and digital payments” was intended to address the consequences of reliance on cash for customs and tax payments and to redress Afghanistan’s extremely low level of financial inclusion. The PD (para. 32) clearly stated the expected results chains: “allowing for digital payment of taxes and customs duties will lead directly to increased efficiency and transparency in government finances, reducing opportunities for corruption and leakage;” and “interoperability of banks and mobile network operators will also support expansion in financial inclusion, higher levels of consumer protection, and strengthened DAB’s powers of oversight.” The specific actions (issuing circulars) were not in themselves sufficient to realize those results, but were necessary and appropriate steps in that direction. Rating: Satisfactory.



PA 2 to move toward implementation of the Civil Servants Law built on Amendment of the Law under the 2018 IP-DPO to move toward implementation, including policies for pay management and increasing women’s participation, as well as recruitment through mass competitive exam. The PD (para. 34) argued that improving the pay management policy would improve the “ability to adjust salary levels to special circumstances or to reflect the scarcity of skills” and help address the proliferation of special allowances, etc., to offset the erosion of base pay. Competitive recruitment was expected to improve the quality of the civil service over time by reducing political interference, as would more proactive recruitment of women (which also promoted the social inclusion objective). These were reasonable and appropriate steps toward the broad objective of “strengthening the policy framework to support state effectiveness.” Rating: Satisfactory.

PA 3, revision of the Water Law, was intended to redress “major deficiencies” in the 2009 Water Law, including water rights and the lack of a regulatory framework (PD para. 53). With 80 percent of the population dependent on agriculture for their livelihoods, and 80 percent of agricultural production dependent on irrigation, the measures supported by PA 3 were identified in the PD as making major contributions toward the objective of improving the effectiveness of the state in managing irrigation and water supply, which in turn underpin achievement of economic objectives. Rating: Satisfactory.

PA 4 for land management addressed Afghanistan’s deed-based land registration system (adjudicated by the courts), which was identified in the PD (paras. 10-11) as “imposing high social costs...[and] widespread problems of land-grabbing and land-related contestation and conflict.” The 2017 Land Management Law enabled moving “away from a deed registration to a title registration system based on a Land Information System.” PA 4 represented a small step in that direction through a “protocol for transferring responsibility for deed registration to the MUDL in Herat City.” Rating: Moderately Satisfactory.

PA 5. Access to finance was identified by the PD (paras. 38-40) as “a major constraint on business activity,” especially for the small and medium enterprises (SMEs) that accounted for “around 80 percent of private sector employment.” Collateral requirements and the limited informational base were cited as major constraints in the results chain leading to improved access to credit. As a means of addressing this problem, PA 5 enabled risk guarantees (offered by the Afghan Credit Guarantee Foundation) to count toward collateral requirements for loans and made data from the National Electricity Utility available to the public credit registry to aid in assessing creditworthiness. Although not sufficient in themselves to solve the credit problem, these represented necessary and appropriate steps in that direction. Rating: Satisfactory.

PA 6. Regarding access to electricity, the PD (paras. 43-45) identified the time-consuming procedures and “high cost of accessing electricity as a key constraint to economic growth and investment in Afghanistan,” and noted that unfavorable “international supply contracts... have not been subject to thorough economic assessment or regular review.” PA 6 included measures intended to achieve the result of reduced time and cost of accessing electricity by simplifying subscription procedures for commercial and industrial customers, including a fast-track center in Kabul, and establishing procedures for reviewing both domestic and international PPAs. These represent appropriate and manageable steps in the right direction. Rating: Satisfactory.

Pillar 1 rating: Satisfactory [4.8]



Relevance of PAs for Pillar 2: Improving the policy and institutional framework for public financial management

PD 7. Public investment management: The PD (para. 56) noted that “existing budget systems relating to project selection are inadequate to meet the challenges” of a “shrinking resource envelope” as grant support diminishes, and that “political considerations historically dominated project selection, undermining both project quality and policy alignment, while lack of thorough project appraisals has led to major problems with budget execution.” PD 7 attempted to address some of these issues by requiring that any new project proposal exceeding USD 7.5 million be subjected to strategic fit analysis and project appraisal, including financial, economic, and gender analysis (for which guidelines were provided as part of the 2020 budget circular). The PD (para. 59) expected that these measures would result in enhanced “alignment of development projects with the ANPDF and national priority programs and improve[d] efficiency and effectiveness of development expenditure,” with a target of half of new large projects having undergone economic and gender analysis. While these measures were appropriate as an initial step, it was not clear how they would subsequently be followed up to address the underlying political and resource envelope problems. Rating: Moderately Satisfactory.

PAs 8-10. Tax administration: The operation included three PAs (8-10) that sought to address the seemingly conflicting objectives of raising additional domestic revenues and improving the business climate by “Improving the ease of filing and payment of taxes” (PD para. 60).

PA 8 aimed to reduce time and costs of compliance by making fast-track electronic filing available for all large and medium taxpayer office filers (and mandatory for large banking and telecommunications filers). This was expected to immediately result in reduced compliance costs, and facilitate increased revenue from the new VAT to “‘leapfrog’ the use of paper-based processes and forms.” Rating: Highly Satisfactory.

PA 9. The PD (paras. 64-67) articulated a clear results chain as to how private investment is inhibited by the lack of “mechanisms for resolving disputes [which] constrains confidence and investment,” and lack of confidence in the tax system deters informal firms (which constitute the overwhelming majority) from registering and hence paying taxes. PA 9 operationalized the newly-created Tax Dispute Resolution Board as a means of bypassing the delays and corruption that often attend cases before the Objections Department of the Afghanistan Revenue Department. This appears to be an appropriate step to improve the institutional framework, though not necessarily sufficient to achieve the hoped-for increase in “voluntary compliance and potentially marginal increases in investment.” Rating: Satisfactory.

PA 10. The PD (paras. 68-72) noted the importance of the new VAT in replacing the “highly distortionary” Business Receipts Tax (“which is considered a significant constraint to private sector development”) and diminishing customs revenues due to accession to the World Trade Organization. Approval of VAT regulations under PA 10, in particular regarding exemptions and refunds, was considered important to minimize negative effects on low-income households and facilitate implementation of the VAT. This was an appropriate, though not highly consequential step with respect to the objectives of improved public financial management and tax revenues. Rating: Moderately Satisfactory.

PA 11. Public expenditure management: The PD (para. 73) noted the challenge of providing adequate budget for operating and maintaining the substantially expanded infrastructure base since 2001. The MOF had developed new norms to address the problems of an “incremental budgeting approach, a highly centralized budget system, and absence of effective monitoring.” PA 11 supported a pilot in four line ministries with respect



to vehicles and buildings. This was “expected to lead to improved quality and efficiency of O&M expenditure through an evidence-based and consistent approach.” Such a pilot was an appropriate first step, but without a pre-defined sequence of operations supporting continued rollout, it was not clear how the objective of improved public expenditure management would be fully achieved. Rating: Moderately Satisfactory.

PAs 12-13. Revenue transparency and cash management: Given Afghanistan’s heavy dependence on international aid and the frequency with which “fiscal crises emerged before the international community knew the situation” (ICR para. 19), the PD (paras. 78-82) emphasized the importance of ensuring full transparency in revenue performance and regular reporting on the cash situation. Besides improving accountability to the public, it was expected that improvements in transparency, reporting, and cash management would result in the international community providing “an appropriate response in the context of an unexpected revenue decline.”

PA 12 supported fortnightly reporting of disaggregated tax and customs data and progress against government revenue targets. This provided a clear link in the chain from actual performance to adjustments in international assistance. Rating: Satisfactory.

PA 13 called for regular meetings of the cash management committee and timely publication of decisions taken. This was expected to contribute to the desired results of better accountability and quality of cash management. Rating: Moderately Satisfactory.

Pillar 2 rating: Satisfactory [4.6]

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Eighteen indicators were used to measure results, with four of the PAs under Pillar 1 having two or more indicators (Table 2). Three were purely qualitative (no/yes), and one was already at 100 percent at the time of design. “The indicators were measurable, though there were some questions about the accuracy of baselines and sometimes actual values” (ICR para. 44). The overly broad PDOs made it difficult for indicators to reflect achievement of ultimate objectives; rather, given the short one-year time horizon, indicators were focused more on “presenting proof of impact of the underlying policy actions” (ICR para. 45), which themselves were oriented toward manageable small steps to lay conditions for the longer-term objectives to be realized. The results framework in the PD (Annex 1) did not state the sources of data for the indicators.

Table 2: Results indicators by Pillar and PAs; baseline and target values, and status

Results indicator (RI)	Associate	Baseline	Target	Status as of
------------------------	-----------	----------	--------	--------------



	d PA	(2018)	(end 2020)	target date
<i>Pillar 1: Strengthening the policy framework to support state effectiveness, private investment, and social inclusion</i>				
RI 1 Proportion of customs duties transferred to DAB via electronic payment from commercial banks	PA 1	2 percent	60 percent	84.3 percent
RI 2 Average monthly number of transactions through the Afghanistan Payment System	PA 1	3,534	100,000	35,610
RI 3 Proportion of total civil servant appointments (2018- 2020) made in compliance with the new competitive recruitment processes.	PA 2	0 percent	80 percent	100 percent
RI 4 Proportion of female civil servants in total and at Senior Management Group level	PA 2	22 percent/ 6 percent	26 percent/ 9 percent	29 percent/ 9 percent
RI 5 Credit registry coverage as a proportion of adult population	PA 5	1.3 percent	2.0 percent	2.35 percent
RI 6 Proportion of women included on the credit register	PA 5	2.3 percent	4.0 percent	1.3 percent
RI 7 Time taken to acquire an electricity connection for commercial customers	PA 6	114 days	80 days	60 days
RI 8 Cost of acquiring an electricity connection for commercial customers	PA 6	2448 percent of income	1500 percent of income	301 percent (USD 1700/565)
RI 9 Number of international PPAs reviewed by dedicated multi-disciplinary team within DABS	PA 6	0	3	10
RI 10 Number of municipal districts in which an administrative land system is operating, and land transactions are recorded within the Land Information System.	PA 4	0	1	0
RI 11 Responsibility for the design, construction, and management of irrigation canals for agriculture from the source to the farm is allocated to MAIL.	PA 3	No	Yes	No
<i>Pillar 2: Improving the policy and institutional framework for public financial management</i>				
RI 12 Proportion of new projects of over US\$7.5 million approved for implementation in the discretionary development budget that have undergone economic and gender analysis.	PA 7	0 percent (2019 budget)	50 percent (2020 budget)	60 percent
RI 13 Proportion of active LTO firms utilizing fast-track filing.	PA 8	9,7 percent	60 percent	93 percent
RI 14 Number of cases submitted for ruling by the Tax Dispute Resolution Board	PA 9	0	10	1.
RI 15 VAT business processes approved, and communications material released based	PA 10	No	Yes	No



on regulations, including procedures for exemptions

RI 16 The budget is developed through application of the new O&M norms for four pilot ministries (as reflected in budget working papers) PA 11

No (2019 budget)	Yes (2020 budget)	Yes
------------------	-------------------	-----

RI 17 Number of downloads of new revenue performance reports PA 12

0	500	>9000
---	-----	-------

Ri 18 Proportion of Treasury salary payments made within 10 days of submission of monthly claims by line ministries PA 13

100 percent	100 percent	100 percent
-------------	-------------	-------------





Relevance of RIs for Pillar 1: Strengthening the policy framework to support state effectiveness, private investment, and social inclusion

RI 1 (proportion of customs duties transferred via electronic payment from commercial banks) was a clearly defined and measurable indicator of progress in implementing the new regulatory framework for digital payments (PA 1), with a well-defined results chain leading to improvement of state effectiveness. The baseline was credible and the target was clear with data available on a regular basis. Rating: Highly Satisfactory.

RI 2 (average monthly number of transactions through the Afghanistan Payment System) was clearly defined, measurable, and directly related to the intermediate objective of expanding the use of e-money (though less directly to the ultimate objectives of state effectiveness, private investment, and social inclusion). The baseline was credible and the target was clear with data available on a regular basis. Rating: Satisfactory.

RI 3 (proportion of civil servant appointments in compliance with new competitive recruitment processes) was related to one of three measures under PA 2, and part of a results chain leading to improved civil service capacity and hence state effectiveness. It was problematic in that (i) it was “overly broad because the underlying action applied only to grades 5 and 6;” (ii) “by definition if workers were not recruited according to civil service rules, then they were not considered a part of the civil service;” and (iii) the baseline of zero competitive recruitment is questionable (ICR paras. 43-44). Besides breaking down recruitment by grade, it would have been important to have a complementary indicator of the share of all new hires (including consultants and temporary workers) who were competitively recruited as “civil servants.” Rating: Moderately Unsatisfactory.

RI 4 (proportion of female civil servants in total and in Senior Management) was clearly related to specific actions (under PA 2) targeting recruitment of women, thereby enhancing social inclusion, though a results chain to improved effectiveness of the civil service was not fully articulated. The baseline was credible, the target clearly defined, and data available on a regular basis. Rating: Satisfactory.

RI 5 (credit registry coverage of the adult population) was a suitable indicator of progress toward financial inclusion, but only indirectly related through a hypothetical results chain to the intended result of increased credit to private businesses (particularly SMEs, which are not necessarily included in credit registries). It was more suited to the distant (given the baseline of 1.3 percent) goal of financial inclusion of individuals; the more immediate goal of private investment would have been better served by a measure of what proportion of businesses had accessed credit. Nevertheless, data for such an indicator may have been available only through surveys, whereas the credit registry indicator had a credible baseline figure, clear target, and regularly available data. Rating: Moderately Satisfactory.



RI 6 (proportion of women included on the credit register) was directly related to the social inclusion objective, though not fully adequate to ensure actual access to finance. The baseline was credible, target clear, and data regularly available. Rating: Satisfactory.

RI 7 and RI 8 (time and cost to acquire an electricity connection for commercial customers) directly measured an identified barrier to the objective of increasing private investment. Nevertheless, it would have been preferable to have a direct indicator of private investment to measure the actual result of reducing that constraint. Although the PD did not make it clear, the ICR indicated that the baseline and subsequent data were obtained from Doing Business. These indicators were suitable as a direct measure of the result expected from the specific actions undertaken to simplify subscription procedures and fast-track large customers. Rating: Satisfactory.

RI 9 (number of international PPAs reviewed within DABS) represented only an input into a results chain that would lead eventually to the desired result of reduced electricity costs through better negotiation of international PPAs. The average cost of electricity purchased through such agreements would have been a better indicator of long-term results, albeit unsuited to the short time frame of this operation. Since this was a new procedure, the baseline of nil was credible and the target clear, reasonable, and easy to measure. Rating: Moderately Satisfactory.

RI 10 (number of municipal districts in which an administrative land system is operating and transactions recorded within the land information system) was problematic in that it depended on creation of a land information system, which was not supported by the policy action, and in targeting only one district – presumably as a pilot toward eventual rolling out of the system. Given the complexity and long term of land administration reform, it might better have been left to a sequence of actions and more robust indicators in a dedicated project, rather than a one-year DPO. Rating: Moderately Unsatisfactory.

RI 11 (responsibility for the design, construction, and management of irrigation canals for agriculture from the source to the farm is allocated to MAIL) was suitable as an indicator of progress in implementing needed revisions to the Water Law and attendant regulations, though not directly a measure of the intended ultimate result of more effective water management and usage. It was purely qualitative, with a target of “Yes” in place of the baseline “No.” Rating: Moderately Satisfactory.

Pillar 1 rating: Moderately Satisfactory

Relevance of RIs for Pillar 2: Improving the policy and institutional framework for public financial management

RI 12 (proportion of new projects over USD7.5 million approved for implementation that have undergone economic and gender analysis) was intended to track a first step toward improving the alignment of projects with policy priorities and countering political determination of project selection. It would have been better supplemented with an indicator as to whether such analysis in fact led to the desired results. The baseline of nil was credible, and the target reasonable and measurable. Rating: Moderately Satisfactory.



RI 13 (proportion of active LTO firms utilizing fast-track filing) was broader than the actions under PA 8 (which covered only telecommunications and banking firms, only 12 percent of all active LTO firms [ICR para. 43]), and should have been supplemented by a direct indicator of the desired result of increased tax revenues through easier filing. Rating: Moderately Satisfactory.

RI 14 (number of cases submitted for ruling by the Tax Dispute Resolution Board, TDRB) was directly related to PA 9 for operationalization of the TDRB, which serves the objective of improving the institutional framework, though it did not measure the desired result of “potentially marginal increases in investment” stemming from easier settlement of disputes. The target increase over a baseline of nil was clear and measurable. Rating: Moderately Satisfactory.

RI 15 (VAT business processes approved, and communications material released based on regulations, including procedures for exemptions) was a direct indicator of whether or not PA 10 had been implemented, but provided no information on the impact of the VAT on revenues and the poor. Rating: Moderately Unsatisfactory.

RI 16 (budget developed through application of the new O&M norms for four pilot ministries) directly indicated whether PA 15 had been implemented (with a baseline of “No”), but there was no clear results chain to fully achieving the objective of improved public expenditure management. A complementary indicator for the expected results of increased O&M budgets or better asset management would have been desirable (however, “a database for assets was lacking;” ICR para. 65). Rating: Moderately Satisfactory.

RI 17 (number of downloads of new revenue performance reports) “was important to demonstrate that the reports were out in the open and readily available” (ICR para. 66), though it did not necessarily reflect the expected result of more responsive international assistance. From a baseline of nil, the target was clear and continuously measurable. Rating: Moderately Satisfactory.

RI 18 (proportion of Treasury salary payments made within 10 days of submission of monthly claims by line ministries) was intended to monitor the risk of disruption in public service delivery due to late salary payments, but was not clearly related to the expected result of improved cash management through regular meetings of the cash management committee and publication of decisions, and it appeared somewhat disingenuous as a results indicator inasmuch as the baseline (as well as target) was 100 percent. Rating: Moderately Unsatisfactory.

Pillar 2 rating: Moderately Satisfactory

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1



Objective

Pillar 1: Strengthening the policy framework to support state effectiveness, private investment, and social inclusion

Objective 1. Strengthen the policy framework to support state effectiveness (PAs 1-4; RIs 1-4, 10, 11)

Rationale

Rationale: Three of six RIs were fully met; one partially; and two negligible.

PA 1 to develop a regulatory framework for e-money and digital payments made substantial progress in shifting from cash to electronic payment of customs duties and taxes, thereby reducing opportunities for corruption and leakage and improving state effectiveness. The target of 60 percent of customs duties being paid electronically through commercial banks (RI1) was exceeded, reaching 84.3 percent. The success of the electronic payment option introduced through PA 1 laid the groundwork for the central bank to require e-payment for all transactions above AFN 50,000, and for the subsequent 2020 IP-DPO operation to move toward full automation of the payment process.

However, progress toward interoperability was slower than expected, as the average number of monthly transactions through the Afghanistan Payment System (APS) rose only modestly, from 3,534 at baseline to 35,610 at closing, well below the RI 2 target of 100,000. Enforcement of the regulation issued by the central bank under PA 1 was slow, and all financial institutions were not connected to the APS by 2019 as expected, although the pace picked up in 2020, with all twelve banks and three payment institutions as members of APS (the four mobile money providers were to be connected in 2021).

Important progress was made under PA 2 to implement reforms of the Civil Servants Law with respect to reducing political interference through competitive selection of the higher (G5 and G6) levels. The target of 80 percent competitive recruitment of new civil servants under RI 3 was exceeded, reaching 100 percent. This indicator applied to all newly recruited civil servants, not just the targeted R5-R6 grades (which include teachers), but implied achievement of competitive recruitment at all levels. However, the extent of success in reducing political interference is not clear, because only those employees recruited in accordance with civil service rules are counted as “civil servants” (ICR, footnote 11). Therefore, by definition, 100 percent of those counted as “civil servants” were competitively recruited. Unfortunately, data are not available on the number of additional employees hired through presidential or ministerial orders as consultants or temporary staff to fill vacant positions, so it is not clear how far the achievement of 100 percent competitive recruitment of new civil servants has gone toward reducing the influence of politically-hired workers.

Measures undertaken under PA 2 to increase female representation in the civil service (targeted outreach, women-only positions, enforcement of the anti-harassment policy) were effective in raising the proportion of women in the civil service from the baseline of 22 percent (RI 4) to 29 percent (above the target of 26 percent), and from 6 percent to 9 percent (as targeted) at the Senior Management Group level. (Although these gains have been substantially reversed under Taliban rule, they appear to have helped to make



inclusion of women a norm that puts pressure on the new leaders to be more open to women's participation in the civil service, which includes teachers as well as other professions.)

The ICR (para. 48) noted that other efforts to reform the civil service were less successful. Though not captured in the PAs and RIs, efforts were made to rationalize pay scales and align them with verified competencies, and to improve "the retention of specialized staff through the introduction of cadres, including career development." Although Cabinet approved both the rationalized pay structure and Cadre Regulations, they were at best partially implemented (in part due to reluctance to abandon the incentive payment system).

Some progress was made toward improving state effectiveness in the areas of water resource management (PA 3) and land administration (PA 4), although the targets (RI 10 and RI 11) were not achieved. The revised Water Law allowed for recognition of traditional water use rights and allocations, and established a legal framework to govern dam safety, pollution, and groundwater. However, the reorganization of the MEW, as well as confusion regarding application of the revised Water Law, ended up giving it responsibility for the design, construction, and rehabilitation of irrigation schemes, rather than the MAIL, as intended (RI 11).

RI 10 to begin operating the new administrative land system in one district, Herat (PA 4), was not achieved because it depended on a new Land Information System (LIS) to record transactions, which had not yet been established. Nevertheless, an interim registration system was set up while awaiting the procurement processes to set up and implement the full LIS, and it was being used to collect the necessary information to convey deed and record land transactions in Herat, Kabul, and Mazar. Further progress in the LIS and title registration was expected under the Afghanistan Land Administration Project (P164762).

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

Objective 2. Strengthen the policy framework to support private investment (PAs 5-6; RIs 5-10, 14)

Rationale

Rationale: Five of seven RIs were fully met; two negligible.

Progress toward improving the underlying conditions for access to credit was made in connection with PA 5 to expand coverage of the adult population in the credit registry by counting guarantees by the Afghan Credit Guarantee Fund (ACGF) toward collateral requirements of banks (often 200 percent of loan amounts, well above the minimum required 120 percent). The share of the adult population in the credit registry (RI 5) rose to 2.35 percent, above the target of 2.0 percent. However, this broad coverage was not necessarily relevant to the primary objective of increasing credit to SMEs, and political uncertainty plus the Covid-19 pandemic



actually led to “dampened demand for funding by SMEs and higher risk aversion by banks” (ICR para. 51). It is therefore unlikely that the ultimate objective of increased credit for private investment was achieved. Nevertheless, there was some improvement in the prospects for future increases in guarantees to support credit in that ACGF expanded its partners from two to five and USAID also set up a credit guarantee fund. These measures were to be supported going forward by the World Bank operation for Strengthening Afghanistan Financial Intermediation (P171886).

However, despite the overall expansion in credit registry coverage, the proportion of women (RI 6) actually fell from the baseline of 2.3 percent to 1.3 percent, far below the target of 4.0 percent.

The Program made exceptional progress in reducing the time and cost of accessing electricity (PA 6) for commercial customers, an important step toward easing this major constraint on private investment (as indicated in the 2018 Doing Business report). The time for commercial customers to obtain an electricity connection fell markedly from the baseline of 114 days (2019) to 60 days (end 2020), well below the RI 7 target of 80 days. Similarly, the connection cost relative to income per capita was reduced dramatically from a ratio of over 24 to just 3, which was a fifth of the RI 8 target of 15. Furthermore, with support also being provided by USAID and the Asian Development Bank, DABS agreed to bear half of the connection cost to further lower costs to businesses.

PA 6 also supported electricity cost reduction over the longer term by getting DABS to approve a formal written procedure for review and management of PPAs by a multi-disciplinary team. DABS had established a multi-disciplinary Strengths, Weaknesses, Opportunities and Threats team that reviewed 10 international PPAs during the project period, substantially exceeding the RI 9 target of 3 (from zero at baseline). This improved review process was expected to lead to lower imported energy prices through renegotiation and revision of existing contracts, as well as prior review of new ones.

The objective of improving the environment for private investment was also enhanced by success in implementing the Tax Dispute Resolution Board (PA 9 and RI 14, discussed below under pillar 2). However, as noted above under objective 1, PA 4, negligible progress was made toward the RI 10 indicator for implementing a land information system that would replace the deed system with land titling, making it easier to acquire land for investment.

Rating

Moderately Satisfactory

OBJECTIVE 3

Objective

Objective 3. Strengthen the policy framework to support social inclusion (PAs 2, 5 and 7; RIs 4, 6, 12)



Rationale

Rationale: Two of three RIs were fully met; one negligible.

Social inclusion (including gender) measures were entirely subactions of PAs related to other objectives, rather than specific PAs targeted only to the social inclusion objectives, but had specific indicators.

As noted above under objective 1, PA 2 for civil service reform achieved the targeted increases in the proportion of women in the civil service to 29 percent overall (above the RI 4 target of 26 percent) and at the Senior Management level to 9 percent (as targeted).

However, as discussed above under objective 2, the support for expansion of credit under PA 5 was accompanied by an actual decrease in the proportion of women in the credit registry (RI 6) to just 1.3 percent, rather than the targeted increase to 4.0 percent. No explanation was offered, although it may be attributable in part to the clear dominance of men at baseline together with uncertainty engendered by the pandemic and rising insecurity. In any case, as discussed in section 4 under RIs 5 and 6, inclusion in the credit registry is at best only an indirect indicator of achievement of the objectives of private investment and social inclusion.

PA 7 was designed to include gender analysis along with economic analysis in feasibility studies for new large projects (over USD 7.5 million). The RI 12 target of moving from zero to half of new projects (in the 2020 budget) undergoing such analysis was exceeded, with 60 percent of the five new projects recommended for implementation having undergone such analysis (one of them was purely to address import duties in a donor-funded infrastructure project, so did not need a separate feasibility analysis).

Rating

Moderately Satisfactory

OBJECTIVE 4

Objective

Pillar 2: Improving the policy and institutional framework for public financial management

Objective 4. Improve the policy and institutional framework for public financial management.
(PAs 7-13; RIs 12-18)

Rationale

Rationale: Six of seven RIs were fully met; one negligible.



As noted above under objective 3, PA 7 supported financial, economic, and gender analysis of new large projects, and the RI 12 target was exceeded. The policy reforms went significantly beyond the budget circular to establish a legal framework for public investment management, thereby improving the institutional framework for project selection driven by economic, social, and development criteria (as distinct from political motivations). The analysis was also expected to better align development projects with the ANDPDF and national priorities, thereby improving the effectiveness of development expenditures and enhancing Afghanistan's ability to obtain critical international financial assistance. In addition, significant capacity building (through job training and workshops supported by the FPIP Support Program) was undertaken to improve selection of public-private partnerships, with MOF playing a key role in assessing fiscal risks. The expectation was that subjecting larger projects to stronger criteria and analysis would yield better projects and utilization of resources.

PA 8 to make fast-track tax filing mandatory for banking and telecommunications firms under the LTO was extremely successful, as measured by the (somewhat broader) indicator (RI 13) of the proportion of all active LTO firms utilizing fast-track electronic filing, which rose dramatically from under 10 percent to 93 percent, exceeding the target of 60 percent by more than half. This increased use of electronic systems makes it easier for taxpayers to comply and reduces administrative costs for the Afghanistan Revenue Department. In addition, substantial progress was made in e-filing under the MTO (33 percent of registered MTOs, accounting for 86 percent of all those e-filing). Under the third (2020) IP-DPO, e-filing was made mandatory for all large taxpayers, as well as selected sectors in the medium and small taxpayer offices (for which RI 13 was directly relevant).

PA 9 was highly effective in promoting implementation of the TDRB, which was established as part of tax administration reforms to ensure accurate and professional case adjudication by a five-member team with a range of expertise (economic, legal, accounting, tax, and private sector). This provided an alternative to the Afghanistan Revenue Department's (ARD) Objections Department, which was considered to be biased and subject to corruption, as well as to the unwieldy and costly process of legal challenges. The RI 14 of 10 cases submitted to TDRB for ruling was greatly exceeded, with 97 cases reviewed during 2020, of which 90 were resolved (81 percent in favor of the taxpayers). TDRB held three public awareness programs in Kabul and four in different provinces. These improvements in handling tax disputes are expected to improve confidence in the tax system (a major impediment to formal registration of businesses) and improve the environment for private investment.

Implementation of PA 10 regarding VAT regulations, including exemptions and refund procedures, was delayed by the Covid-10 pandemic, and RI 15 regarding approval of business processes and communications to the public on the exemptions of certain products (such as cooking oil and school textbooks) was not achieved. It was hoped that these measures could be undertaken by the end of 2021 to operationalize the VAT in order to broaden the tax base and improve public financial management, but this now appears unlikely.



The revised norms for O&M budgets for civilian vehicles and buildings, as supported by PA 11, were piloted in four ministries (Finance, Public Health, Public Works, and Higher Education) in the 2020 budget, as targeted (RI 16). The government met the required budget from contingency reserves for O&M. “Increased confidence in the quality of O&M expenditures is expected to lead, over time, to increased O&M allocations, progressing toward levels required to the existing asset base [which had been] built up from years of high aid inflow” (ICR para. 65). The absence of a database for assets was being addressed through a consultancy, to help inform continued application of the O&M norms and budgeting. However, it remains to be seen how well the government will continue to budget for O&M expenditures, given the tendency to prioritize expenditures on new vehicles and buildings.

Transparency in public financial management was promoted under PA 12 by fortnightly revenue reports on the MOF website providing full disaggregated tax and customs performance data at the level of collection points, as well as progress against government revenue targets. Response was exceptional, with downloads of the report surpassing 9000, far exceeding the target (RI 17) of 500. The information provided was considered essential so that the international community is well informed in a timely manner to be able to adjust financial support to fluctuations in revenue flows. (This has been a particular issue during election cycles.) The ICR (para. 66) confirmed that the MOF has not only continued reporting but increased the frequency to weekly (rather than fortnightly as required by PA 12).

PA 13 supported improvements in the accountability and quality of cash management through meetings of the cash management committee at least every 21 days and publication on its website of decisions taken within 7 days of the meeting. The ICR did not indicate whether this result was actually achieved; rather, it stated that the baseline and target (RI 18) of 100 percent payment of salaries within 10 days of submission of monthly claims by line ministries was satisfactorily maintained.

Rating

Moderately Satisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

Table 3: Relevance and Efficacy Ratings of RIs by Pillar

Results Indicator	Relevance rating	Efficacy rating (from RI or complementary evidence)	Pillar Efficacy Rating	Overall Efficacy Rating
--------------------------	-------------------------	--	-------------------------------	--------------------------------



Pillar 1: Strengthening the policy framework to support state effectiveness, private investment, and social inclusion			Moderately Satisfactory ("at least half of pillar RI targets rated Modest of better"; note: most are rated High, but three are Negligible)	
RI 1	HS	High		
RI 2	S	Modest		
RI 3	MU	High		
RI 4	S	High		
RI 5	MS	High		
RI 6	S	Negligible		
RI 7	S	High		
RI 8	S	High		
RI 9	MS	High		
RI 10	MU	Negligible		
RI 11	MS	Negligible		
Pillar 2: Improving the policy and institutional framework for public financial management			Moderately Satisfactory ("at least half of pillar RI targets rated Modest of better"; note: all but one are rated High, but one is Negligible, thereby precluding a S rating)	Moderately Satisfactory (average of MS = 4 and MS = 4)
RI 12	MS	High		
RI 13	MS	High		
RI 14	MS	High		
RI 15	MU	Negligible		
RI 16	MS	High		
RI 17	MS	High		
RI 18	MU	High		

Efficacy is assessed on the basis of information available at the time of the ICR, which was issued on June 1, 2021. Nevertheless, the fall of Afghanistan to the Taliban in August 2021 means that few of the results as measured are likely to be sustained. The overall lesson is that the risks of operating in a fragile environment will sometimes result in failure. Since the consequences of conflict in Afghanistan were beyond what could be anticipated and managed through a World Bank operation, this assessment of efficacy is based on the situation at



the time of the ICR (data as of the end of 2020), in order to draw more specific lessons relevant to the design and implementation of operations under the conditions prevailing at the time.

Pillar 1: Of the 11 RIs under pillar 1, achievement was High for 7, Modest for one, and Negligible for 3.

Pillar 1 efficacy rating: Moderately Satisfactory

Pillar 2: Of the 7 results indicators under pillar 2, achievement was High for 6 but Negligible for 1.

Pillar 2 efficacy rating: Moderately Satisfactory

Efficacy of both pillars (and all four objectives) is rated as Moderately Satisfactory.

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale

With relevance of prior actions rated as Satisfactory and efficacy as Moderately Satisfactory, the overall outcome is rated as Moderately Satisfactory.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Political and security risk: The high risks inherent in Afghanistan's fragile state and the United States withdrawal in August 2021 have been swiftly realized in the form of a takeover of government by the Taliban. This puts many of the achievements of the IP-DPO at high risk of being reversed, especially those regarding social inclusion and participation of women.

Even in the absence of the change in government, there was modest risk that political commitment to some of the reforms might wane, particularly with respect to funding O&M expenditures out of the budget, though extension of the new norms to a fifth ministry (Public Works) was a positive sign.

Covid-19 pandemic risk: The pandemic delayed implementation of VAT reforms and implementation of land reform, making them now subject to the political risk of change of government.



Low risk: Absent the political changeover, the prospects for sustained implementation of reforms seemed highest with respect to the progress made in electronic payment of customs duties, fast-track tax filing, time and cost of electricity connections, and publication of tax and customs revenue reports. Sustainability prospects were high due to positive incentives from cost reductions to users and to strong interest (especially by development partners) in transparency regarding key data.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

Prior experience and lessons learned: As the second in a series of stand-alone but linked development policy operations, this IP-DPO explicitly built on the experience of the first (2018) IP-DPO. Lessons applied from the preceding operation included use of an innovative design that linked a series of ten tranches (after the initial disbursement) to specific triggers (with diminishing value in the event of delays), and designation of a single implementing partner lead in the government with direct reporting to the relevant Deputy Minister, to maintain government ownership.

The design was well informed by prior experience and analytical work. In particular: reform of e-money and digital payments drew on the 2018 WB report on “Developing Afghanistan’s Mobile Money and Financial Technology”; implementation of civil service reform was based on several analytical studies and functional reviews; electricity reforms implemented recommendations from the 2017 “Financial Evaluation of Da Afghanistan Breshna Sherkat-DABS”; the 2013 “Land Governance Assessment Framework Afghanistan” informed reforms of land administration; and PFM reforms were based on “Afghanistan: Development and Efficient PIM System,” “ARD Tax Administration: Re-Organization and Modernization Proposal 2016-2021,” and several other studies.

Selection of prior actions and results indicators: The actions selected for this IP-DPO series were satisfactory and appropriately “aligned with the ANPDF, which was developed through extensive consultations with civil society and the private sector” (PD, para. 84). The ICR for the 2018 IP-DPO (pp. 14-15) noted that it was recognized that some PAs would only provide initial steps toward objectives, not directly generate the desired outcomes within a limited time frame, and that continuing support was being provided through other projects to achieve desired outcomes.

Selection of results indicators was constrained by the short one-year time horizon and the need to focus on proof of impact of policy actions that often represented small steps in a longer-term sequence. This made it difficult for the indicators to reflect actual achievement of the overly broad objectives. In some cases, the coverage of the indicator was broader than the specific policy action that it was intended to measure.



Identification and mitigation of risks: Risks were thoroughly assessed and known to be high, especially based on prior experience. Political risk was considered especially high due to the 2019 Presidential election, given that past elections had resulted in contestation and disruption. Prior actions were chosen in non-politicized areas, although the risk of changing priorities was recognized. Weak institutional capacity was another area of high risk, and several policy areas attempted to redress institutional weaknesses (especially in the civil service and PFM, particularly revenue collection; also in water and land management). High security risks were accepted on the basis that “previous experience has shown that the Bank can successfully monitor and support implementation of reform programs even in a difficult security environment” (PD para. 118). High macroeconomic risks were mitigated through the provision of “flexible and dependable budget support assistance” and technical assistance to the financial sector. Environmental and social risks were to be mitigated through measures (largely unsuccessful) to reform irrigation management and land administration. Risks associated with vested interests were to be addressed through “consultations with the affected social groups, the private sector and civil society” (PD para. 123).

The operation used an innovative financing mechanism that linked tranches to specific policy actions to reduce the risk of implementation of the entire operation being held up due to delays on individual agreed reforms. This was especially appropriate in a high fragility, conflict, and violence (FCV) context such as Afghanistan, as well as the high number of policy actions (3 up front and 10 tranche triggers). Additional implementation incentive was provided by reducing the value of tranches by 10 percent per month of delay (all actions were undertaken on time).

Risks were also mitigated through parallel support programs, including the Payments Automation and Integration of Salaries in Afghanistan Project (P168266), Afghan Land Administration System Project (P164762), TA On Farm Water Management Project (P152870), Fiscal Performance Improvement Plan Support Project (TA), and the USAID-funded Trust Fund Investment Climate Program Afghanistan.

Consultation with development partners and major stakeholders: The bulk of the funding came through the multi-donor trust fund, ARTF, which provided a strong basis for coordination with the other donors involved, on-going since its establishment in 2002. Within the ARTF’s three-tiered governance structure, the Incentive Program Working Group provided a “forum for policy dialogue on key revenue, public financial management, and structural reforms, between the government, the World Bank, and ARTF donors,” which include 34 partners (<https://www.artf.af/who-we-are/about-us#governance>).

The actions proposed for this IP-DPO series were “aligned with the ANPDF, which was developed through extensive consultations with civil society and the private sector” (PD, para. 84).

Rating

Satisfactory

b. Bank Performance – Implementation

Rationale



Monitoring: The methodology of disbursing in small successive tranches provided a framework for regular monitoring of progress in meeting the tranche release requirements. The World Bank team maintained daily contact via email and WhatsApp regarding implementation (in particular regarding PFM measures; ICR para. 83). All ten tranche triggers were met on time over a six-month period.

Adaptation: Designing the series as stand-alone operations rather than trying to predetermine the policy actions over a three-year period was intended to allow for annual adaptation to circumstances as they evolved in the high-FCV environment. Some of the policy actions in this second operation (e.g., digital payment, civil service reform, electricity connections, O&M policy) carried forward initial steps that were successfully undertaken in the first (2018) IP-DPO. Others introduced new reforms when the ground had been adequately prepared (e.g., collateral requirements, economic and gender analysis of large projects, tax administration).

Mitigation: Implementation risks were mitigated largely through technical assistance and support provided through other World Bank operations.

Consultation: The ARTF (discussed above) provided a strong basis for ongoing coordination with the other donors involved. The PD (para. 123) stated the intention to continue “consultations with the affected social groups, the private sector and civil society.”

Rating

Satisfactory

c. Overall Bank Performance

Rationale

The design was satisfactorily based upon extensive prior consultations for the ANPDF, prior analytical work, and experience of the prior IP-DPO. Implementation through the innovative multi-tranche approach was satisfactory, bolstered by extensive support through complementary operations and technical assistance.

Overall Bank Performance Rating

Satisfactory

9. Other Impacts

a. Social and Poverty

Facilitation of e-money and digital payments under the project was expected to lead to social benefits through greater financial inclusion, resulting in increased opportunities to save and borrow, given that most people (especially the poor) are unbanked but do have access to a mobile phone. Enhanced creditworthiness through expansion of the credit registry and inclusion of guarantees in collateral requirements was intended to facilitate



access to credit by private enterprises (though it is not clear that the impact would be significantly felt by the informal enterprises and own-account workers that dominate employment of the poor).

Targeted improvements in land administration to provide greater security of tenure, especially in agriculture, as well as recognition of traditional water rights, were particularly relevant to the rural poor (but have seen negligible progress).

Introduction of economic and gender analysis of proposed large projects was intended to improve alignment with the government's pro-poor priorities.

VAT reforms were intended to shelter the poor from taxation on key food and other items in their budgets, and move away from import taxes on staples such as wheat and rice. (However, these reforms were delayed by the Covid pandemic.)

b. Environmental

Apart from measures intended to improve water use in agriculture, the operation did not have direct environmental implications.

c. Gender

The operation included reforms specifically to increase the role of women in the civil service, with positive results. Greater inclusion of women in the credit registry was also promoted (unsuccessfully).

Greater financial inclusion through expansion of e-money and digital payments was expected to benefit women in particular, as they were largely excluded from the banking system. Electronic payment of taxes was likewise considered particularly beneficial to women business operators.

Introduction of economic and gender analysis of proposed large projects was intended to ensure that implications for and inclusion of women were considered in the design, approval and implementation of projects.

The shift to a title-based land administration system supported by the project (unsuccessfully, so far) was expected to be more effective in securing women's land rights than the current court-based system.

d. Other

Greater financial inclusion was promoted through the measures to expand e-money, digital payments, and the credit registry.



10. Quality of ICR

Rationale

The ICR provides a satisfactory record of the project context, design, and achievements. It provides a summary table of the prior actions and triggers with their associated results indicators, showing baseline, target, and achieved values (also shown in Annex 1 with dates). However, the sources of data are not shown, making it difficult to assess the quality of the evidence (most appear to be from the agencies involved). Analytical underpinnings are detailed in Appendix Table A.3.

The quality of the analysis is high, with lessons based on the evidence and questions raised in some instances. It provides a thorough explanation of achievements and setbacks, with some discussion of additional measures that might be needed. It provides a logical progression from explanation of the context (by pillar and policy area), to program development objectives, policy actions, and achievement of results, consistent with the guidelines for ICRs. The presentation is clear, with adequate but not excessive explanation and documentation.

Although the political risk surrounding the Presidential election was highlighted in the PD, it is not clear from the ICR to what extent political risks did or did not affect implementation, although the impact of the Covid-19 pandemic is mentioned.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons relating to experience in implementing the operation are drawn from the ICR (paras. 83-87):

- **Greater positive impact of a reform measure can be realized by close supervision leading up to and during implementation of the reform.** In the case of improving transparency of revenue and cash management, for example, the WBG team had engaged in continuous formal (official emails) and



informal (WhatsApp) contacts on a day to day basis. When the reform was implemented and there was an initial slippage of publishing revenue reports, there was a quick follow up from the WBG to help trouble shoot. As a result, today the measure has been sustained and achieved even greater frequency than was originally planned (every week vs. every two weeks).

- **In data scarce country contexts, additional effort is needed to ensure a relevant and feasible results framework, which can be furthered by including potential results indicators as part of targeted sector analytic work.** While the results framework was useful for the 2019 IP-DPG program evaluation, a number of indicators were only weakly attributable to the underlying actions. One possible remedy is to ensure that options for results indicators are part of the analytical underpinning for a particular reform area. This solution will help WBG teams in developing results frameworks because they will have an array of potential indicators available during program preparation.
- **The development and use of the monitoring matrix can play an important role in helping to allocate accountability for reforms.** This matrix as applied under the IP-DPG program also helped ensure a common understanding of progress and mobilize attention to resolve issues as they arose. The monitoring matrix is highly useful in general, but particularly in a low capacity, FCV context where implementation slippages are common.
- **Pilots are useful in revealing the degree of readiness in moving ahead with a significant reform and what to do if not fully ready.** The conduct of a pilot of the new O&M policy in four ministries revealed a major constraint to the reform. In trying to establish BNGs, necessary for accurate budgeting for O&M, it became clear that there was not a data base for government assets on which to base the budgeting. As a temporary measure, the government provided for a contingency reserve in the interim while TA support helped develop the necessary data on existing assets. By having an active pilot that was being held up by the lack of data, the government was able to force action to deal with this constraint, demonstrating that a major purpose of a pilot is the learning aspect.
- **Reforms to establish a deed system for land management and budgeting for O&M may realize progress, but technical issues may not allow for full implementation within the timeframe of a single DPG, particularly in an FCV context.** In both cases under the 2019 IP-DPG, substantial progress was made but technical challenges to set up the LIS and the BNGs based on asset data were not possible within the one-year timeframe. While it was worthwhile to pursue the reform, the target was too ambitious for a stand-alone operation.
- **Flexibility in designing DPFs is important in the FCV context where there are capacity issues as well as high turnover in leadership and staff.** This flexibility helps cope with implementation of policy



reforms. This support also applies in situations to support some implementation measures for the policy reforms which were already approved.

- **Parallel support can go a long way in easing a country’s implementation constraint, which is especially important in an FCV country.** The program achieved progress in a wide range of policy areas. The additional support in each reform area proved necessary and, in most areas, sufficient, to complete the reforms as envisioned despite weak capacity. This complement is particularly important because it is not always feasible to make actions sufficiently strong to fully achieve PDOs by themselves. Moreover, DPF instrument is meant to support ‘reforms’ and not include implementation measures. Thus, parallel support is key, such as was the case in reforms in tax administration, PFM, land management and digital payments, among other areas.

Regarding the latter point, although it may have been helpful to the Afghanistan Land Administration System Project to include a relevant policy action (PA 4) under the IP-DPO, as a way of putting additional pressure on the government for implementation, because a critical element for implementation (the Land Information System) lay outside the purview of the DPO, its non-availability meant that achievement of the relevant indicator (RI 10) in the DPO was negligible. It would have been better to leave implementation of this somewhat complicated process to the project dedicated to that issue, rather than try to promote one stage in the DPO without control over the necessary conditions.

While the high political and security risks were recognized, the fall of Afghanistan to the Taliban in August 2021 was not anticipated, nor could the World Bank have done anything to mitigate it. The overall lesson is that the risks of operating in a fragile environment will sometimes result in failure.

13. Project Performance Assessment Report (PPAR) Recommended?

No