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Report No: 66483

EMERGENCY PROJECT PAPER

ON A

PROPOSED ARTF GRANT

IN THE AMOUNT OF US\$350 MILLION

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR A

CAPACITY BUILDING FOR RESULTS FACILITY

December 6, 2011

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**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective Dec 6, 2011)

Currency Unit = Afghani (AFN)  
AFN 48.65 = US\$1

**FISCAL YEAR**  
March 21 – March 20  
**ABBREVIATIONS AND ACRONYMS**

ACSI	Afghanistan Civil Service Institute	MCP	Management Capacity Program
AEP	Afghan Expatriate Program	MEW	Ministry of Energy and Water
AFMIS	Afghanistan Financial Management Information System	MOE	Ministry of Economy
		MoF	Ministry of Finance
ANDS	Afghanistan National Development Strategy	MOU	Memorandum of Understanding
ARDS	Afghanistan Reconstruction and Development Services	MIS	Management Information System
		NCB	National Competitive Bidding
ARTF	Afghanistan Reconstruction Trust Fund	NTAC	National Technical Assistance Commission
ATP	Audit Training Program		
AUSAID	Australian AID	OAA	Office of Administrative Affairs
CAT	Certified Accounting Technician	O&M	Operation and Maintenance
		ORAF	Operational Risk Assessment Framework
		PAR	Public Administration Reform
CBR	Capacity Building for Results Facility		
CBRP	Capacity Building for Results Proposal		
CMU	Contract Management Unit	P&G	Pay and Grading
CSRP	Civil Service Reform Project	PDOs	Project Development Objectives
CTAP	Civilian Technical Assistance Program	PFM	Public Financial Management
DA	Designated Account	PFMR	Public Financial Management Reform Project
DAB	Da Afghanistan Bank		
DFID	Department for International Development	PFMRII	Second Public Financial Management Reform Project
EFS	Externally Funded Staff		
EU	European Union	PPU	Procurement Policy Unit
FM	Financial Management	PSU	Project Support Unit
FMA	Financial Management Agent	RIMU	Reform Implementation and Management Unit
GoA	Government of the Islamic Republic of Afghanistan	ROSC	Report on Observation of Standards and Codes
HR	Human Resources	SBD	Standard Bidding Document
IAD	Internal Audit Department	SC	Steering Committee
		SDU	Special Disbursements Unit
IARCSC	Independent Afghanistan Reform and Civil Service Commission		
IDA	International Development Association of the WBG	SMG	Senior Management Group
		SPC	Special Procurement Commission
ISN	Interim Strategy Note	TA	Technical Assistance
IT	Information Technology	TORs	Terms of Reference
JICA	Japan International Cooperation Agency		
LEP	Lateral Entry Program	USAID	United States Agency for International Development
LM	Line Ministry		
MAIL	Ministry of Agriculture Irrigation and Livestock	VPP	Verified Payroll Program
		WBG	World Bank Group
M&E	Monitoring and Evaluation	WDR	World Development Report

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**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

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ISLAMIC RUBLIC OF AFGHANISTAN  
CAPACITY BUILDING FOR RESULTS FACILITY  
PROJECT PAPER  
SOUTH ASIA REGION

<b>Basic Information</b>						
Country Director: Nicholas.J.Krafft	Sectors: PREM (80%), Others (20%)					
Sector Manager: Antonius Verheijen	Themes: Public Sector Reform					
Team Leader: Satyendra Prasad	Environmental category: C					
Project ID: P123845	Expected Closing Date: 31 <sup>st</sup> December					
Expected Effectiveness Date: January 15, 2012	2017					
Lending Instrument:	Joint IFC: NA					
	Joint Level: NA					
<b>Project Financing Data</b>						
<input type="checkbox"/> Loan <input type="checkbox"/> Credit <input checked="" type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other: Proposed terms:						
<b>Financing Plan (US\$m)</b>						
Source	Total Amount (US \$m)					
Afghanistan Reconstruction Trust Fund	350					
<b>Client Information</b>						
<b>Recipient:</b> Islamic Republic of Afghanistan						
<b>Responsible Agency:</b> Ministry of Finance (MoF)						
Contact Person: Dr. Omar Zakhilwal, Minister of Finance						
Telephone No.:						
Fax No.:						
Email:						
<b>Estimated disbursements (Bank FY/US\$m)</b>						
FY	2012	2013	2014	2015	2016	2017
Annual	5	30	65	77	85	88
Cumulative	5	35	100	177	262	350
<b>Project Development Objective and Description</b>						
<p><b>Project development objective:</b> The project's development objective is to assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people. This will be achieved through the implementation of specific capacity and institution building programs, which include systematic monitoring of and reporting on results.</p> <p><b>Project description:</b> The project consists of four components: 1. Technical Assistance Facility</p>						

for Preparation and Implementation of Line Ministry Capacity Building Programs; 2. Building Human Resources; 3. Civil Service Training; and 4. Project Management, Monitoring and Evaluation.

<b>Safeguard and Exception to Policies</b>		
Safeguard policies triggered:		
Environmental Assessment (OP/BP 4.01)		[ ]Yes [ X ] No
Natural Habitats (OP/BP 4.04)		[ ]Yes [ X ] No
Forests (OP/BP 4.36)		[ ]Yes [ X ] No
Pest Management (OP 4.09)		[ ]Yes [ X ] No
Physical Cultural Resources (OP/BP 4.11)		[ ]Yes [ X ] No
Indigenous Peoples (OP/BP 4.10)		[ ]Yes [ X ] No
Involuntary Resettlement (OP/BP 4.12)		[ ]Yes [ X ] No
Safety of Dams (OP/BP 4.37)		[ ]Yes [X ] No
Projects on International Waterways (OP/BP 7.50)		[ ]Yes [ X ] No
Projects in Disputed Areas (OP/BP 7.60)		[ ]Yes [ X ] No
Does the project require any exceptions from Bank policies?		[ ]Yes [ X ] No
Have these been approved by Bank management?		[ ]Yes [ ] No
<b>Conditions and Legal Covenants:</b>		
Financing Agreement Reference	Description of Condition/Covenant	Date Due





## **A. INTRODUCTION**

- 4 This Project Paper seeks the approval of the ARTF Management Committee for a \$350 million financing envelope with allocation of the first tranche of \$100 million to the Islamic Republic of Afghanistan for the proposed Capacity Building for Results Facility (CBR).
- 5 The proposed project would support the government's effort to improve the capacity and performance of core line ministries responsible for national priority programs. The proposed grant would help finance the costs associated with (i) technical assistance for preparation and implementation of capacity building programs; (ii) recruitment of managerial, common function and professional staff for key positions in selected line ministries; (iii) a management internship program; (iv) training of civil servants; and (v) project management, monitoring and evaluation. The proposed project is aimed at sustained capacity building of selected line ministries with appointment of approximately 2,400 managerial, common function and professional staff on term contract for key civil service positions, and a management internship program.
- 6 The project's key outcomes will be measured using the following indicators: (a) development budget execution rates; (b) business process improvements; and (c) service delivery improvements.
- 7 CBR will be funded by the ARTF, a pooled donor funding mechanism. Several donors, including the U.K., E.U., and Japan, have indicated their support for the CBR Facility through the ARTF. These donors and the U.S., which have been active in the public administration sector, have also helped inform the project during the design phase.

## **B. EMERGENCY CHALLENGE: COUNTRY CONTEXT, RECOVERY STRATEGY AND RATIONALE FOR PROPOSED BANK EMERGENCY PROJECT**

### **COUNTRY CONTEXT**

- 8 After several decades of wars and civil strife, building an effective state - one that can provide security and services to the people - has been at the heart of the reconstruction effort in Afghanistan. The government has made significant progress in many areas such as primary education, basic health services, irrigation rehabilitation, and rural development. However, the country remains extremely fragile. Security remains a serious obstacle to the delivery of reconstruction assistance and implementation of reconstruction programs. Afghanistan's poverty and social indicators remain among the lowest in the world, and the pace of implementation of reconstruction programs has been well short of citizens' expectations.

- 9 Building the country's public administration capacity to accelerate aid utilization, provide faster and better services, and ensure transparency and accountability of public expenditure is a top priority for the government in taking the reconstruction agenda forward and in winning back the trust of its citizens. Afghanistan and the international community have embarked upon a transition strategy for the government to take greater responsibility for security, reconstruction and development. At the 2010 International Conferences on Afghanistan in London and Kabul, development partners indicated their willingness to channel at least 50 percent of development aid through Afghanistan's core budget within two years, along with a Government commitment to improve budget execution, revenue collection, and strengthen public administration systems for the management and oversight of funds. At the Lisbon Conference, it was agreed that government would assume full responsibility for security from end 2014 when most international forces would leave the country.
  
- 10 The government faces significant challenges in managing these reform processes as transition moves forward. Enhancing capacity of the core civil service, with an emphasis on strengthening budget execution and service delivery, is critical to mitigate the substantial fiscal challenges that will unfold during transition. As donors begin to reduce their funds for technical assistance and project support, the government will face an increasing responsibility for delivery of services in the context of a shrinking envelope of support. Government must have the skilled staff at the central and sub-national levels to be able to absorb and manage increasing amounts of donor funding provided through the Afghan budget, rather than funded and implemented externally. A sharp fall can be expected in the number of externally funded national staff, who currently perform key tasks in line ministries, but receive rates of pay far above those of *tashkeel* staff. Since these are not civil service staff, this capacity will be lost for government as projects close unless a mechanism is created to attract key qualified staff into government. The task of building more sustainable, strategic and longer term capacity is therefore more urgent than ever.

#### **GOVERNMENT'S RECOVERY STRATEGY FOR PUBLIC ADMINISTRATION CAPACITY BUILDING**

- 11 Overall, lack of capacity is the greatest constraint to the implementation of priority programs and projects. The government's strategy for re-establishing public administration has been three-pronged.
  
- 12 First, with assistance of IDA and other donors, the government has made significant progress in establishing a functioning public financial management (PFM) system under the direction of Ministry of Finance (MoF), which has been the single, most important enabling factor for the implementation of government budget. The legal framework underpinning PFM (Public Finance and Expenditure Management Law and Public Procurement Law) has been established. Through a series of IDA grant operations, specialized international firms have been engaged and have been providing direct operational support to the Treasury of Ministry of Finance, the Afghanistan Reconstruction and Development Services (ARDS) for public sector procurement management, and the Control and Audit office (CAO) for carrying out

external audits for all IDA and ARTF funded operations in Afghanistan. The government-wide PFM systems were assessed using the Public Expenditures and Financial Accountability (PEFA) Public Financial Management Performance Measurement Framework in 2005 and 2007. Afghanistan's ratings against the PEFA indicators portray a public sector where public finances are, by and large, being used for their intended purposes as authorized by the budget; and the budget is processed with transparency and has contributed to aggregate fiscal discipline. While the December 2007 PEFA-based PFM performance assessment reported significant positive developments in Afghanistan's PFM systems, it also highlighted that PFM capacity development in line ministries, as executing agencies of expenditures, is critical. Compared with the progress in the Ministry of Finance, developments in most line ministries lag behind. PFM capabilities in most line ministries at sub-national levels are even lower. This affects services and delays implementation of government investment programs, thus fuelling discontent.

- 13 The second prong pertains to the broad civil service reform initiatives. The Emergency Public Administration Projects (EPAP I and II) provided assistance for the development of the government's Public Administration Reform Program. This involved support for the Establishment of the Independent Administration Reform and the Civil Service Commission (IARCSC) with a mandate to both lead civil service reforms and manage the human resource functions of the Government. A central feature of initial reforms was the Priority Reform and Restructuring (PRR) process, which enabled staff in selected key departments and agencies to be appointed through merit on an elevated pay scale for a fixed term in exchange for restructuring. In 2008, the government approved a new pay and grade policy and planned to implement the policy across the civil service over the next four years. Pay scales under this new policy range from \$100 - \$650 per month, up from the current levels of about \$40- \$200 per month. The implementation of the new pay and grading reform has been slower than anticipated. In addition, the proposed salary levels for the senior civil servants under the government's new pay and grading reform are well below the levels being paid by donors to staff and consultants on comparable posts.
- 14 In response to a severe capacity constraint, the third prong of the government's effort was to inject short-term capacity into line ministries and agencies to implement donor funded projects and programs. This was achieved through direct financing of large numbers of national and international consultants in key functional and advisory positions. This largely *ad hoc*, project-based and donor-supply driven approach has resulted in fragmented, uncoordinated and costly technical assistance, creation of parallel program/project management structures and systems in line ministries, thereby adversely impacting the civil service reforms. To address the problem of this "second civil service", several government programs, such as the Afghan Expatriates Program and the Lateral Entry program (AEP and LEP), and the Management Capacity Program (MCP), were introduced, aiming to level the playing field among the international agencies, NGOs, and the government as competing employers for scarce Afghan professionals. These programs had very limited scope, addressing only a small number of civil service functions. Overall, with a few notable improvements, capacity of most line ministries remains weak, and many line ministries continue to rely heavily on external consultant support. The impact of low capacity is

demonstrated most clearly in the low execution rates of development budget across government.

- 15 A major explanatory factor for the lack of results in capacity building is that prior efforts have failed to address the complex political economy constraints. Public administration reforms have suffered because important policy discussions on institutional development are crowded out by security related issues. Reforms have also been impacted by differential positioning of central institutions-- the IARCSC, the Ministry of Finance and the Office of the President-- as they have unclear roles and mandates with regard to institutional and public administration reforms. The incentives for 'joined-up' work and coherent cross-government support for reform efforts have remained weak. Furthermore, Afghanistan's cabinet is comprised of individuals who represent diverse interest groups. The patrimonial nature of the state will continue to affect the operation of government and creates constant stresses on the process of building a merit and skill-based civil service that is focused on delivery of results. Institution building and civil service reforms must therefore commence from a sufficient level of consensus at the highest levels of Government if they are to succeed.

### **Lessons Learned and Reflected in Project Design**

- 16 Based upon lessons learned, a coherent and government-led approach is required. The government and the donor community recognize that a new, context specific approach is needed to enable line ministries to succeed in capacity and institution building efforts. These lessons are reinforced by the Bank's 2011 World Development Report (WDR) and its Public Sector Management Strategy. The WDR makes the case for pursuing incremental civil service reforms without necessarily seeking the ideal harmonization of government structures in fragile environments. It also makes the case for programming interventions over a longer time frame than the traditional three-year project cycle. The project also reflects lessons captured in the Bank's new Public Sector Management (PSM) strategy, which emphasizes the importance of integrating cross cutting public management reforms with service delivery results. Reflecting upon these lessons, CBR is a five-year facility that will complement existing ministry-specific service delivery and other sectoral reform programs.
- 17 Capacity-building programs must be demand-driven, results focused, and fully owned by the government. Critically, ministries lead their own reform process under CBR, and the project has been developed through more than one year of dialogue with the IARCSC, MoF and ministries. By allowing for a demand-driven, competitive process for a higher level of resources, only ministries that want to apply and are willing to undertake challenging but appropriate reform programs will likely rise to Tier 1 level.
- 18 Line ministries must steer the development of a prioritized medium term capacity and institution building framework, defining expected results and monitoring arrangements, implementation responsibilities and timetable, results monitoring arrangements, and

resources required to implement the framework within the specific political economy of the context.

- 19 To better ensure coordination, donors should channel their financial and technical assistance to support a shared institutional reform and capacity building framework as well as agreed, ministry-specific capacity building programs.
- 20 The reliance on high cost, Externally Funded Staff (EFS) not accountable to government to manage and implement programs has undermined the sustainability of civil service capacity. External capacity must be harnessed in a targeted and strategic manner, rather than to substitute for the core activities of civil servants.
- 21 Asymmetric reforms must be carefully managed. While equal support cannot be provided to all parts of government in the context of limited resources, CBR provides a level of support across government in order to create buy in and mitigate resistance to reforms. CBR supports the implementation of the government's public administration reform commitments across the whole of government.
- 22 CBR is structured to bring a degree of order to what currently is a very fragmented public sector system with many ad hoc and asymmetric arrangements, which impacts service delivery. While allowing for necessary variation, common function groups will be established across government and Tier 1 ministries will be able to propose professional cadres if they require very specialized skills for certain professions.
- 23 Constraints to budget execution and service delivery at the sub-national level are substantial. In a major shift from previous efforts, CBR encourages de-concentration of capacity and authority to manage resources to the sub-national level.
- 24 Institutional reforms take time. Even in fast moving countries, bureaucratic reforms to a basic level have taken 20 years. The standard World Bank project life of 3 years has been stretched to 5 years for CBR, with the understanding that this must be a longer term engagement.

## **RATIONALE FOR THE EMERGENCY PROJECT**

- 25 Both government and the donor community have renewed their efforts to build systems that enable the Government of Afghanistan to take the lead in service delivery. Ownership of service delivery outcomes is a central factor in perceptions of governmental legitimacy and efficacy, and central to the development of sustainable state systems in the long term. In recognition of this, there has been an intensified effort by the government and the donor community to address the public administration reform and capacity building agenda, and reduce the reliance upon external technical assistance.

- 26 This critical work has gained even greater significance in light of the challenges of Transition. The sense of urgency for a new approach in this sector is reinforced by the government's and donors' desire to increase accountability, ownership and cost-effectiveness by moving more resources on-budget. In this context, it is even more essential to support the development of country systems and capacity for effective service delivery; both for transition in the medium term, and for the years beyond it.
- 27 The project addresses the critical need for capacity at both the center and the sub-national levels of government. Capacity constraints at the provincial and district level are a key cause of low budget execution rates, weak service delivery impact, and weak accountability. By facilitating the posting of high capacity staff at the sub-national level and by de-concentrating spending and recruitment authority from Kabul, the project will help address this critical bottleneck to effective service delivery.
- 28 The proposed project interventions fully reflect the lessons learned in Afghanistan. Above all, it is based on the understanding that public administration capacity building must be demand-driven, must be led by ministries and must be focused on deliverable results. Given that World Bank has been a leading interlocutor on public administration reform and capacity building, and the nature of the proposed project, the government and donors have requested that the project be financed by ARTF with World Bank providing supervision and implementation support.

### **C. BANK RESPONSE: THE PROJECT**

#### **PROJECT DEVELOPMENT OBJECTIVES**

- 29 The project's development objective is to assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people. This will be achieved through the implementation of specific capacity and institution building programs, which include systematic monitoring of and reporting on results.

#### **SUMMARY OF PROJECT COMPONENTS**

- 30 The project consists of four components: (i) Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs; (ii) Developing Human Resources; (iii) Civil Service Training; and (iv) Project Management, Monitoring and Evaluation.
- 31 CBR and its components are structured as a facility that allows for adaptation based upon experience in the initial years. A first tranche of funding will be provided for the first two and half years at which point the project will be assessed and implementation progress reported to

the ARTF Management Committee. If necessary, modifications will be made before release of a second tranche of funding.

- 32 The Facility will be operated on a demand-driven approach with each participating line ministry demonstrating its ownership and commitment through formulation of a prioritized capacity building program to execute its mandates with concrete and monitorable results. All ministries will be supported to complete essential reforms, such as the implementation of pay and grading. More extensive support will be contingent upon the ministry fulfilling certain criteria, such as having completed basic public administration reforms, and having an approved strategic plan. These higher levels of support, known as Tier 1 and Tier 2, will be provided once the ministry designs a reform plan that is agreed, and continued support will depend upon the ministry meeting the targets it establishes for its reform plans. This is to set a ministry on a reform path that helps it function more effectively. Subject to a ministry's strong capacity to reform and implement its mandate in line with the agreed targets, it will become eligible to apply to higher tiers of support.

**Component 1: Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs (US\$ 30 million)**

- 33 This component comprises provision of technical assistance for preparation of Capacity Building for Results Programs (CBRPs) by participating line ministries and implementation support for approved CBRPs with quality assurance of CBRPs at both stages on relevance, results focus, cost-effectiveness, realism, implementation accountability and monitoring.
- 34 Ministries will be eligible for differentiated levels of support for ministerial reforms, based on a set of criteria. Through a demand-driven, competitive process, ministries will prepare CBRPs and compete for higher levels of support. The review and approval procedures for line ministries to access the technical assistance facility is provided in Annex 1.

**Component 2: Building Human Resources (US\$ 280 million)**

- 35 This component will support the continued implementation of broad civil service reform efforts and placement of critical managerial and professional staff resources in participating line ministries. Specifically, it will provide the central public administration reform enabling environment for the implementation of a ministry's Capacity Building for Results Program. Ministries will be provided with skilled staffing groups on *tashkeel* (civil service establishment), paid market competitive rates to assist in reform implementation and service delivery results. Across government, underlying civil service reforms will be supported, including implementation of pay and grading. Component 2, which will be managed by the IARCSC in direct coordination with MoF, comprises five sub-components.

- 36 *Subcomponent 2.1 Support to IARCSC for Civil Service Reforms (\$6 million):* This subcomponent would finance technical assistance to assist IARCSC with the implementation of reforms to (i) enable the appointment of managerial, professional and common function staff on term contracts for key positions in line ministries; (ii) institutionalize appropriate human resource management and public administration policies and practices, including mainstreaming of gender through support for the government's gender policy, strengthening of performance evaluation, and support for a review of civil service regulations, salaries and incentives; (iii) implementation of pay and grading; and (iv) support for the sub-national reform process.
- 37 *Subcomponent 2.2 Appointment of Managerial, Common Function and Professional Staff (\$246 million):* This subcomponent will fund the costs associated with the salaries for CBR positions in participating line ministries. To contain the fiscal impact, recruitment will target suitably qualified Afghan nationals and will use remuneration levels that, while still competitive, are significantly lower than the prevailing inflated rates offered by donors and others. The salaries will be combined with fixed term appointments of up to five years subject to satisfactory annual performance review.
- 38 *Subcomponent 2.3 Management Internship Program (\$10 million):* To complement the appointment of managerial, common function and professional staff as an immediate capacity building step, a management internship program will be established. The interns will be supported through training, mentoring and a rotation process across government for their first 2 years in the program; upon graduation, interns will have the opportunity to be promoted to junior level management posts in the civil service. The program includes scholarship opportunities for selected interns, once they complete the required period of post-intern service as civil servants. The outcome of the management internship program will be reviewed at the end of year 2 and a decision will be taken on scaling up of the program.
- 39 *Subcomponent 2.4 Consulting Services to Assist with Recruitment (\$14 million):* This subcomponent will finance the contracting of an Human Resources (HR) firm and individual consultants to assist the IARCSC in establishing and operating appropriate management structures and systems, policies and procedures for the implementation management of Subcomponents 2.2 and 2.3. The HR firm will review and monitor that recruitment is carried out in compliance with the policies and procedures established for the project, including equal opportunity and gender balance.
- 40 *Subcomponent 2.5 Financing of Managerial Staff Contracted under the Management Capacity Program (\$4 million):* This subcomponent will provide continued financing for about 90 managerial staff who were contracted under the Management Capacity Program (MCP) and have contract period beyond December 31, 2011 when the MCP closes. The MCP appointees have played an important role across the Afghan government, most notably in the Ministry of Finance and Ministry of Communication and Information Technology. Nevertheless, the MCP did not establish a clear link between specific reform plans of ministries and the MCP appointments to ensure that the appointments would be part of a



broader process of change within their institutions. It was agreed with the government in December 2010 that the MCP will close as scheduled on December 31, 2011 and payments for ongoing contracts of managerial appointees after December 31, 2011 will be covered by the CBR. Individuals on these contracts will be eligible to apply for Senior Management Group positions under Subcomponent 2.2.

**Component 3: Civil Service Training (US\$ 20 million)**

41 This component will fund partnerships between the Afghanistan Civil Service Institute (ACSI) and reputable international institutions to (i) develop custom made public administration management training programs for civil servants in managerial positions and management interns; (ii) deliver the training programs; and (iii) develop faculty capacity at the ACSI. The content and delivery modality of management training programs, and the terms of reference for the partnerships will be established through negotiations with interested partner institutions.

**Component 4: Project Management, Monitoring and Evaluation (US\$ 20 million)**

42 This component will finance (i) contract staff and operating cost of a MoF CBR Facility Project Support Unit (PSU) to be established in the MoF and responsible for overall project management, monitoring and reporting; (ii) contract staff and operating costs of an IARCSC CBR PSU responsible for the management, implementation and monitoring and reporting for Components 2 and 3; (iii) consultancy services to assist MoF CBR Facility PSU in carrying out appraisal and review of implementation progress and results of CBRPs; and (iv) contracting of a firm to provide logistics support and supply services.

***Consistency with Interim Country Strategy***

43 The proposed project is aligned with the first pillar of the Bank Group’s 2009 Interim Strategy Note for Afghanistan related to “Building the capacity of the state and its accountability to its citizens”. Specifically, the project provides critical and urgently needed assistance to help the government implement its public administration capacity building program, thereby supporting the country’s transition.

***Expected Outcomes***

44 The PDO-level results indicators are as follows:

<b>PDO</b>	<b>Output Indicator(s)</b>	<b>Baseline (2011 or latest estimate)</b>	<b>Proposed target (2016)</b>

<b>PDO</b>	<b>Output Indicator(s)</b>	<b>Baseline (2011 or latest estimate)</b>	<b>Proposed target (2016)</b>
To assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people.	Development budget execution rates in Tier 1 ministries	30%	Tier 1 ministries' development budget execution rates tend to rise over the course of the project, reaching at least 60% on average for all Tier 1 ministries by project closing.
	Business process improvements in Tier 1 ministries (as outlined in the ministry's performance plan)	0.0 <sup>1</sup>	Number and percentage of targeted business process improvements achieved in Tier 1 ministries tend to rise over the course of the project.
	Service delivery improvements in Tier 1 ministries (as outlined in the ministry's performance plan)	0.0	Number and percentage of targeted service delivery improvements achieved in Tier 1 ministries tend to rise over the course of the project.
	Strategic staffing in place across government	70	Number of Senior Management Group positions filled.

#### **D. APPRAISAL OF PROJECT ACTIVITIES**

##### ***Government Ownership***

45 The proposed operation adopts a coherent, government led approach which is endorsed by the key actors in the sector. Project design benefitted from extensive discussions and consultations with the MoF, IARCSC, line ministries and concerned donors to canvas their perspectives and build consensus on the project and its implementation arrangements. Support for capacity building is demand driven, requiring demonstrated ownership of CBRP on the part of line ministries.

##### ***Fiscal Analysis***

46 The fiscal scenarios informing the CBR are drawn from the joint World Bank/GoA Transition in Afghanistan: Looking Beyond 2014 report, currently being finalized. The

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<sup>1</sup> The process for determining business process and service delivery baselines and indicators is defined in Annex 2. They are measured in absolute and percentage terms with respect to Tier 1 ministries' progress. A Tier 1 line ministry defines its baseline and performance targets in its CBRP and the PSU provides support to the ministry to ensure the credibility of its baseline. The performance targets are included in an MOU between the ministry and MoF.

Transition Report projects a financing gap of around 25% of GDP in 2021-22 given a set of expenditure and domestic revenue assumptions. The civil service wage bill including CBR is costed against growth and revenue projections that take account of security, O&M and other recurrent expenditures created through the external budget that will transfer progressively to the government budget up to 2021, working on a scenario of a gradual decline in aid. Underlying this is the need for government to be able to absorb and manage increasing amounts of donor funding provided through the Afghan budget, rather than funded and implemented externally. This requires improved capacity to manage and effectively utilize these funds.

- 47 Importantly, the civil service is relatively small in Afghanistan and while this project increases the wage bill, these are not daunting figures for government in the context of the broader transition picture, and represent a portion of the costs donors are currently spending on technical assistance. Security expenditures are by far the biggest concern if government is expected to cover these increasing costs. The implication is that donors will continue to have to support the government's wage bill through the lifetime of the project and probably for several years beyond.
- 48 Since the proposed operation is a capacity and institution building technical assistance project, no quantitative economic analysis has been conducted. The proposed project is a high risk, high reward operation as potential benefits would have a critical and positive bearing on the country's transition and recovery through the strengthening of governmental capacity to deliver services. Given the urgent need to increase the coherence, focus and scale of capacity building and PAR activities, the context requires a larger intervention. However, its phased approach ensures the project can be scaled back if necessary.
- 49 The project operates in an extraordinary country setting characterized by a shortage of suitably qualified Afghan professionals on the supply side and competing demands by international agencies, donors and NGOs operating in Afghanistan as the other major constraint. The proposed capacity building activities represent the least-cost approach to developing capacity in selected line ministries, compared with the prevailing heavy reliance on international and local consultants for project/program management which costs billions of dollars and often does not result in sustained capacity building. Sustainability questions therefore need to be framed against the backdrop of the extraordinary challenges the government is trying to address through this project. When viewed in the country context, it is clear that the costs associated with maintaining the status quo far exceeds the fiscal costs of the proposed operation.
- 50 The recruitment and placement of managerial, common function and professional staff in participating line ministries is the largest cost component of the project. To contain the fiscal impact, recruitment will target suitably qualified Afghan nationals and will use remuneration levels that, while still competitive, are significantly lower than the prevailing inflated rates offered by donors and others. The pay scale will be combined with fixed term appointments of up to five years subject to satisfactory annual performance review. To contain the risk of

pressure to increase the wage bill across government, the positions eligible for remuneration through CBR are clearly defined and limited: the Senior Management Group is restricted to grades 1 and 2; common function positions are in four defined technical areas across government; and professional cadres are restricted to Tier 1 ministries. The numbers of SMG and Common Function staff that a ministry is eligible for will depend on its status in the CBR program.

### ***Quality at Entry of Capacity Building for Results Programs (CBRPs)***

- 51 To ensure quality at entry of CBRPs, the project design includes a mechanism of engaging independent panel of experts to review the capacity building proposals submitted by line ministries focusing on relevance (is the proposal aligned with the ministry's core mandate?); results focus (does the proposal have a measurable and traceable results framework?); cost effectiveness (are the capacity building activities sufficiently prioritized and do they constitute the least cost approach?); realism (are the goals and results benchmarks realistic and achievable?); and implementation and accountability arrangements. The Advisory Group will also provide regular inputs to improve the quality of line ministry capacity building proposals.

### ***Governance***

- 52 There are considerable governance risks in the project's operating environment, which will be addressed as explained in the Governance Accountability Action Plan (Annex 10). The main risks assessed are: lack of central agency cooperation; biased recruitment and selection of senior management group staff; unethical behavior in the civil service; politicization of CBR project funding allocations; misuse of project funds, inter-cadre competition; weak service delivery accountability; limited impacts of technical assistance; and pay setting risks.
- 53 To address the governance risk and to promote equal opportunity and gender balance, line ministries are required to include a gender strategy and clear monitoring mechanisms in their capacity building programs. For the recruitment of staff and management interns, the terms of reference will require selected HR firm to review and monitor that recruitment is carried out in compliance with the policies and procedures established for the project, including equal opportunity and gender balance.

### ***Environmental and Social***

- 54 The project will not fund any activities which trigger Safeguards policies. The project does not involve any physical works; it is not expected to have any adverse environmental or social impacts and has been assigned a Category C rating. By implementation of project components, the project is expected to have positive social impacts by supporting relevant ministries to reform and improve their core functions.

## **E. IMPLEMENTATION ARRANGEMENTS AND FINANCING PLAN**

### **IMPLEMENTATION ARRANGEMENTS**

- 55 The Ministry of Finance will assume overall responsibility for the project. A project Steering Committee (SC), comprised of the Finance Minister and IARCSC Chairman, will a) provide oversight and strategic guidance to the project, reviewing implementation progress and working to resolve implementation bottlenecks; b) assess and approve the CBRP proposals and Requests to Proceed, and approve the composition of the Advisory Groups; and c) report regularly to the President and Cabinet. Cabinet will receive CBRPs for information, as well as quarterly reports, bi-annual assessments and the annual performance review of the project.
- 56 The project will be implemented through two Project Support Units (PSUs); one based in the Ministry of Finance, and one in the IARCSC.
- 57 The MoF CBR Facility PSU will coordinate overall project implementation and monitoring. It will serve as a secretariat to the Steering Committee (SC), and work in close coordination with the IARCSC CBR PSU to present the SC with the project monitoring assessments and quarterly reports. The MoF CBR Facility PSU will be responsible for overall project fiduciary management, including procurement and internal audit. It will convene the Expert Groups and act as their secretariat.
- 58 In line with its mandate, the IARCSC has implementation responsibility for Components 2 and 3 of the project. It will establish an IARCSC CBR PSU, which will have consultants to support implementation of these components, working with the MoF CBR Facility PSU. It will work in close coordination with the MOF-based PSU. The IARCSC will coordinate the work of the Advisory Groups. It will report on a functional basis to the Chairman.
- 59 CBRPs will be developed and implemented by the recipient line ministries, each governed under their own management structure (including their own ministerial oversight).

### **Implementation of Capacity Building for Results Program**

- 60 For a ministry to participate in this facility and receive the wider range of associated support, it will need to develop a Capacity Building for Results Program (CBRP). This project component will assist the MoF and IARCSC through the PSU (MoF) to engage in intensive dialogue with priority ministries to assist the development of home-grown and costed proposals tailored to the specific ministry result targets, known as a ministry's CBRP.
- 61 To apply for the facility, a ministry will need to prepare a detailed proposal for the reform and restructuring of the ministry which must address key questions and issues. This reform plan must provide a stock take of what has been done so far; be based upon an approved

business or strategic plan; be internally evaluated for budget realism; be politically feasible; indicate expected sources and amounts of external/donor financing over the next 5 years; and have completed institutional assessments. The proposal should also provide all the necessary baseline data, such as budget execution by functional units and service delivery information. The ministry should also articulate the results it will achieve and how this will be captured and reported.

- 62 The Steering Committee will consider a ministry's proposal only following an independent assessment of the proposal. This independent assessment will be done by a small expert group with a range of skills relevant to a line ministry. The team composition will be recommended by the relevant line ministry and PSU (MoF) to the Steering Committee for its approval. The team will formally assess the CBRPs and make a recommendation to the Steering Committee. These experts will be funded through the MoF CBR Facility PSU under Component 4 to contract such individuals to conduct an external review and advise the Steering Committee on specific reform proposals. There will also be a small expert group to conduct an initial review of a CBRP to ensure quality of entry and then an advisory group will be convened to provide regular inputs to improve the quality of a CBRP working with the line ministry.
- 63 An MOU will be agreed between the recipient ministry and the Steering Committee establishing monitorable performance targets, the reporting schedule on agreed targets, and a monitoring structure. The assistance required will differ from ministry to ministry based on individual needs but will include the support and development of a combination of professional cadres, and common function and senior management groups. The performance agreements will delineate each party's responsibilities, record procedures for procurement and financial management, and contain a copy of the approved funding proposal. It will also define performance milestones in project implementation that, when verified, serve as triggers for the release of additional payments, after the initial tranche payment is made based on the proposal.
- 64 For financial reporting from recipient ministries, reports will be submitted quarterly or at the time of request for funds tranche release, whichever is earlier. The reports shall consist of financial and physical progress. MOF will design common reporting formats or templates, in order to enable it to assemble financial information from a number of participating institutions into an aggregate report for onward submission to the Bank (as part of the quarterly interim un-audited project financial reports). Details and formats would be included in the project's financial management manual.

## **PROJECT COSTS AND FINANCING PLAN**

- 65 Based on the target coverage of line ministries and envisaged placement of 2,400 managerial and professional staff to key positions in participating line ministries over the period of July 2012 to June 2017, the indicative financing requirements of the proposed project are about

US\$ 350 million with approximate breakdown shown in the table below. It should be noted that the proposed project follows a demand driven approach, and actual take-up by line ministries and implementation progress may have a considerable impact on the overall project costs and funding requirements, particularly for the later years of the project implementation. It will also finance approximately 90 on-going MCP contracts for their duration for those extending beyond Dec. 31, 2011 when the MCP closes.

66 The government is requesting the ARTF Management Committee to allocate US\$ 100 million as the first tranche of ARTF financing to enable project implementation for the period of January 2012 to June 30, 2014. The government and the Bank's project team will assess and report to the ARTF MC by December 2013 the implementation progress toward achieving the project's development objectives and results, any modifications in project scope or design, and justification for release of second tranche of ARTF funding support for the project.

<i>Activity</i>	<i>Approximate costs (in US\$ million)</i>
Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs	30
Building Human Resources	280
Civil Service Training	20
Project Management, Monitoring and Evaluation	20
<b>Total</b>	<b>350</b>

## **FINANCIAL MANAGEMENT**

### **FINANCIAL MANAGEMENT, DISBURSEMENT AND AUDIT ARRANGEMENTS**

67 A PFM performance rating system has been developed for Afghanistan by the Public Expenditure and Financial Accountability (PEFA) multi-agency partnership program, which includes the World Bank, IMF, EC, and other agencies. Afghanistan's ratings against the PFM performance indicators portray a public sector where financial resources are, by and large, being used for their intended purposes as authorized by a budget that is processed with transparency and has contributed to aggregate fiscal discipline.

68 Financial management and audit functions for the proposed project will be undertaken through the agents contracted under the IDA-financed Public Financial Management Reform project. This is the primary instrument for continuing to strengthen the fiduciary measures put in place for ensuring transparency and accountability of funds provided by the Bank and

other donors. Under these contracts, two advisers—Financial Management and Audit—are responsible for working with the government and line ministries to carry out these core functions. The former, the Financial Management Agent (FMA) is responsible for helping the MoF maintain the accounts for all public expenditures, including IDA-financed projects and for building capacity within the government offices for these functions. The latter, the Audit Agent is responsible for providing technical assistance to the Control and Audit office in the performance of annual audits.

- 69 The project will be implemented by Project Support Units (PSUs), located in the MoF and IARCSC. The PSU (MoF) will have financial management staff to undertake financial management functions.
- 70 Interim Un-Audited Financial Reports will be prepared by the PSU (MoF) Finance department every quarter and submitted to the Bank within 45 days from the end of the quarter. Consolidated project reports will be prepared, reviewed, and approved by the MoF, supported by the FMA
- 71 A Designated Account (DA) will be opened at Da Afghanistan Bank (DAB, Central Bank) in the name of the project on terms and conditions satisfactory to the World Bank. The DA will be maintained by the MoF. Withdrawal applications for new advances and expenditure reports will be submitted monthly. Detailed financial management arrangements for the project can be found in Annex 5.

## **FUND FLOWS**

- 72 Fund management for the project will follow existing procedures. As with all public expenditure, all payments under the project will be routed through MoF. The FM Adviser will assist the MoF in executing and recording project payments. In keeping with current practices for other projects in Afghanistan, the DA will be operated by the Special Disbursement Unit (SDU) in the Treasury Department MoF. Requests for payments from DA funds will be made to the SDU by PSU (MoF) through Finance and Administration department of MoF. The PSU at IARCSC will send authorized payment requests to PSU (MoF) and it will be processed there and all documentation will be maintained in PSU (MoF) as well.
- 73 In addition to payments from DA funds, the SDU, based on the request from the PSU (MoF) can also request the World Bank to make direct payments to consultants or consulting firms, and special commitments for contracts covered by letters of credit. Such requests will follow World Bank's procedures. All withdrawal applications to the World Bank, including advances, reimbursement, and direct payment applications, will be prepared and submitted by SDU-MoF.



74 The Ministry of Finance has requested for the Bank to retroactively finance project related eligible expenditures incurred and paid by the government prior to the expected date of signing of the ARTF Grant Agreement for the proposed project to cover (i) the procurement of TA and operating costs for the two PSUs; and (ii) Management Capacity Program component costs, including the salaries of existing MCP staff. ARTF will consider providing retroactive financing up to US\$2 million for the project subject to the project's approval by the ARTF Management Committee. In order to be eligible for retroactive financing, the Recipient will have to ensure that: (i) the activities financed are included in the project description; (ii) the payments are for items procured in accordance with applicable Bank procurement procedures; and (iii) the payments were made by the Recipient not more than 12 months prior to the expected date of signing the ARTF Grant Agreement.

### **Accounting and Reporting**

75 The PSU (MoF) Finance department will maintain essential project transaction records using computerized accounting system/Excel spreadsheets and generate required monthly, quarterly, and annual reports.

76 The FM Manual, to be prepared by the PSU (MoF) Finance department, and to be approved by the Bank, will include: i) roles and responsibilities for all FM staff, ii) documentation and approval procedures for payments, iii) project reporting requirements, and iv) quality assurance measures to help ensure that adequate internal controls and procedures are in place and are being followed.

77 The FM Manual will also establish project financial management in accordance with standard Afghan government policies and procedures including use of the government Chart of Accounts to record Project expenditures. Overall Project accounts will be maintained centrally in SDU, which will be ultimately responsible for recording of all Project expenditures and receipts in the Government's accounting system. Reconciliation of Project expenditure records with MoF records will be carried out monthly by the PSU Finance department.

### **DISBURSEMENT METHOD**

78 Disbursements from the grant will be made using advances, reimbursement, direct payment, and payments under Special Commitments including records or against reports, in the form of statements of expenditures, as appropriate.

### **Audit of Project Funds**

79 The Auditor General, supported by the Audit Agent, is responsible for auditing the accounts of all IDA and ARTF-financed projects; it will also be responsible for this Project's audit. Annual audited project financial statements will be submitted within six months of the close of GOA's fiscal year.

80 The Bank-funded projects already or currently being implemented by MOF (PFMR I, PFMR II and SCRTFP) have no overdue audit reports. The key issues raised in these projects' audit reports up to Solar Year 1388 have been resolved satisfactorily.

### **Audit – Responsible Entity**

81 The responsible entity for the audit report is the Ministry of Finance.

### **PROCUREMENT**

82 Procurement for the Project will be administrated in accordance with the World Bank's "Guidelines: Procurement of Goods, Works, and Non-Consulting Services" dated January 2011. "Guidelines: Selection and Employment of Consultants" dated January 2011 and the provisions stipulated in the Financing Agreement. In addition, the World Bank's "Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants" dated October 15, 2006 has been shared with the recipient. The World Bank's Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Civil works and goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan. In case of conflict/contradiction between the World Bank's procurement procedures and any national rules and regulations, the World Bank's procurement procedures will take precedence as per the Article 4(2) of the Procurement Law July 2008 (Amendments in January 2009 incorporated) of the GOA, the IDA Procurement/Consultant Guidelines shall prevail. The general description of various procurements under different expenditure categories are described in Annex 6: Procurement Arrangements. A detailed procurement plan is being prepared for the Project as part of the Procurement arrangement.

83 With donor assistance, Afghanistan has made considerable efforts to establish the Legal and Regulatory Framework for public procurement over the last five years. A Procurement Law, reflecting international best practice in public procurement was enacted in November 2005 replacing the earlier procurement regulations. While the law provides a very modern legal system for procurement, effective implementation of the law may encounter difficulties in the current weak institutional structure and capacity of the Government. A Procurement Policy Unit (PPU) has now been established under MoF to ensure implementation through the creation of secondary legislation, standard bidding documents, provision of advice, creation of the necessary information systems for advertising and data collection. "Rules of Procedure for Public Procurement," which details the better implementation of the Procurement Law, has been issued by MOF as circular number PPU/C005/1386 dated April 12, 2007. The Procurement Appeal and Review mechanism is in place and the Manual of Procedures for "Procurement Appeal and Review" has been issued by MoF as circular number PPU/N001/1385 on March 18, 2007. The Procurement Law was revised in July 2008 and amended in January 2009 and issued as a new Law by the Ministry of Justice and was published in the Official Gazette Number 957, 29.10.1387 (18 January 2009). The revised "Rules of Procedures for Public Procurement" has also been issued as circular PPU/C027/1387 of November 18, 2009.

84 The Special Procurement Commission (SPC) comprising the Ministry of Justice and Ministry of Economy (MoE), under the chairmanship of MoF, approves high-value contracts. These approvals will be done according to Article 91 of the Afghan Public Procurement Law.

85 In the absence of adequate capacity to manage procurement activities effectively, some interim arrangements have been put in place to improve Afghanistan's procurement management. Specifically, a central procurement facilitation service, the ARDS Procurement Unit (PU), has been established under the supervision of MoE.

86 MoF, as implementing agency, will be responsible for all procurement to be carried out for the project. However, it has also been assessed that MoF's capacity in handling procurement under Bank Guidelines needs to be strengthened. For all large value procurement, ARDS will assist MoF to ensure procurement compliance, as and when required. In addition, the Procurement Policy Unit (PPU) embeds procurement specialists in the line ministries to provide technical assistance, oversight, capacity building and assistance for complex procurements. Moreover, the MoF will be strengthened by hiring the services of one International Procurement Consultant financed for the duration of minimum two years. General description of various procurements under different expenditure categories are described in Annex 6. A detailed procurement plan has been prepared for the project.

87 Project procurement involves the following:

(i) Consultancy services (firms or individuals) under Components 1 and 4;

(ii) Selection and employment of a consulting firm to assist the IARCSC PSU in managing the implementation of Components 2.2 and 2.3; the firm once appointed will be responsible for carrying out the recruitment process for selection of staff to be placed in the participating line ministries in accordance with the policies, remuneration levels, and procedures satisfactory to the Bank;

(iii) Service providers for delivering training programs and faculty capacity building under Component 3; and

(iv) Procurement of goods and non-consultant services for the project.

88 The Bank will prior review consultancy contracts and contracts for non-consultancy services, including consultants for the two PSUs to be established in the MoF and IARCSC, that are above the prior-review thresholds. The Bank will not prior review contracts for staff recruited and placed in participating line ministries under Component 2.2, which are subject to post-review.

## F. PROJECT RISKS AND MITIGATING MEASURES

- 89 The key project risks and planned mitigation processes are outlined below and in more detail in the Operational Risk Assessment Framework (ORAF) included in Annex 4.
- 90 The overall risk to achieving the PDO is assessed to be *High*. The team believes that the main counterpart has a strong leadership team and can successfully lead implementation with the support of a capable PSU. The project has substantial potential benefits for government and the country's population through improved service delivery and budget execution, and development of more institutionally sustainable ministries.
- 91 The risk to project implementation is *High*. The key risks during project implementation are deteriorating security, changes in leadership of selected ministries, slower than anticipated implementation of reforms, weak political oversight and commitment, resistance from ministries not directly benefiting from the project, and poor donor coordination. Other political economy risks such as the increased potential for rent seeking through recruitment practices are also high. The project intends to mitigate the risks through its design, monitoring and oversight. The facility includes a small high-level Steering Committee comprised of the Finance Minister and IARCSC Chairman to ensure effective and expeditious decision-making. Given this is a significant national program linked to the transition towards state sustainability, the Steering Committee will report to President, as well as Cabinet through the President. A results-based approach is used to access facility funds and assess ministry performance. A limited level of support will be available to less reform-oriented thereby also mitigating some political resistance. The approach delivers predictable financing over five years, rather than conventional three year funding.
- 92 For project success, MoF and IARCSC must work cooperatively on a range of challenging implementation elements. They require sufficient capacity and commitment to assist line ministries in their reform efforts. The project will provide the necessary support to them to conduct this work, along with their existing staff. Donors have also been closely involved in project development and can reinforce the need for on-going government commitment during project implementation. Close World Bank supervision supported by a realistic budget will be important.
- 93 To address a core risk, donor cooperation and agreement with the government's NTA Commission recommendations will be necessary. This Commission should complete its work in 2011 and once agreement has been reached by donors, donors will need to commit to implementing harmonized pay scales or risk perpetuating an inflated wage market which will impact CBR's success.
- 94 Institutional reform is challenging in any environment but the current political complexity in Afghanistan makes it exceptionally so. Fluid political alliances, entrenched networks of

patronage and corruption risk undermining the intent of the project. At the same time, not tackling these issues head on and taking advantage of the current moment of transition that is facing Afghanistan, presents in itself a risk of lost opportunity and failure through neglect. The Task Team believes that the government counterparts have a strong commitment to lead and implement the project. The Team believes that the role of MoF, along with IARCSC, is necessary for improving political oversight. The 2010 Kabul Conference commitments and actions, such as directives from the Office of the President to build capacity within Government and review of salary structures of nationals working on donor funded projects, are important signals. However, current conditions in Afghanistan are highly fluid, and capacity building and reforms have inherent political elements and can be difficult to do even in more favorable environments. Capacity building inherently requires a long-term and sustained partnership between the government and development partners.

## **TERMS AND CONDITIONS FOR PROJECT FINANCING**

### **Implementation Covenants**

95 The Government of Afghanistan shall ensure that the project is carried out in accordance with the Operations Manual and the Financial Manual.

## **ANNEX 1: DETAILED DESCRIPTION OF PROJECT COMPONENTS**

### **Afghanistan Capacity Building for Results Facility**

- 96 The Project Development Objective is to assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people. This will be achieved through the implementation of specific capacity and institution building programs, which include systematic monitoring of and reporting on results.
- 97 These will be achieved through: (i) clarification of function and mandates of key ministries; (ii) reorganization of key ministry structures; (iii) improved management practices and professionalized staffing of skilled civil servants; (iv) focused training opportunities; (v) a clear emphasis on results (including budget execution and service delivery) and improved implementation of high priority programs on the development budget; and (vi) strengthened government oversight.
- 98 The project, funded through ARTF, will assist selected ministries to integrate and incentivize in a strategic manner their restructuring, organizational, staffing, institutional, and human capacity development efforts to deliver clear budget execution and service delivery targets supported by a framework of approved rules. There will be oversight of the reform program by the Cabinet. The Capacity Building for Results Facility has four inter-related components: (1) Technical Assistance Facility for the Preparation and Implementation of Capacity Building Programs; (2) Building Human Capacity; (3) Civil Service Training; and (4) Project Management, Monitoring and Evaluation.
- 99 The project will be implemented over 5 years. Experience shows that such a reform program will take far longer than the normal 3 year project cycle to demonstrate institutional results. As a result, the expectation is that this should ultimately be considered in a 10 year timeframe, depending upon performance, commitment to sustain reforms and donor funding.

#### **COMPONENT 1: TECHNICAL ASSISTANCE FACILITY FOR PREPARATION AND IMPLEMENTATION OF CAPACITY BUILDING PROGRAMS**

- 100 In a demand-driven approach, this component will establish a facility to assist selected ministries to achieve better service delivery and budget execution results. This ARTF facility will be drawn down as needed over a 5 year period. The facility can be used to fund broad categories of activities, namely: preparation for and of Capacity Building for Results Programs (CBRPs) by ministries and Implementation of CBRPs with quality assurances at both stages.

101 The assistance provided will be based on a ministry's specific needs and capacity, and will include support to assess the *tashkeel* and ministerial needs for the creation of Professional Cadres, Common Function and Senior Management Groups that shall receive more competitive salaries. These groups are a means through which the ministry can attract and retain qualified staff in key positions, a critical enabling factor in its ability to deliver on its mandate.

### **Preparation of Capacity Building for Results Programs**

102 For a ministry to participate in this facility and receive the wider range of associated support, it will need to develop a Capacity Building for Results Program (CBRP). This project component will assist the MoF and IARCSC through the MoF CBR Facility PSU to engage in intensive dialogue with priority ministries to assist in the development of CBRPs. The MoF CBR Facility PSU will communicate with ministries on the overall CBR working, along with the IARCSC CBR PSU, which will communicate with interested ministries on relevant civil service aspects.

103 Under the project, all ministries will be eligible to receive a degree of support, while a limited number of ministries will be eligible for more comprehensive support.<sup>2</sup> The project will provide selected Senior Management staff in Common Functions (Internal Audit, HR, FM and Procurement) roles, as well as support for completing basic PAR reforms to all ministries: this group is known as 'Tier 3'. Ministries will need to submit comprehensive reform proposals in order to apply for the 'Tier 1' level of support, and ministries demonstrating commitment and ability to develop a full CBRP in the future will be supported to fulfil the criteria for this through a 'Tier 2' level of support.

### *Categorization of Ministries*

104 All ministries at the commencement of the project are Tier 3 ministries. Tier 3 ministries will need to make sufficient progress on strengthening their common function departments and the implementation of civil service wide PAR reforms in order to prepare themselves for the more expansive reforms that characterize a ministry applying for higher levels of support. Tier 3 ministries will receive Senior Management-level Common Function staff. A limited amount of targeted technical assistance could be provided to develop the capacity of or reform common functions.

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<sup>2</sup> The project will not directly support Ministries of Interior and Defense, but it is expected that these ministries will receive support for reform through other channels. Since the majority of senior staff in these two institutions are military representatives, these institutions are not included for the current phase.

- 105 Ministries meeting the Tier 2 level of criteria would be eligible for a more extensive level of support, including Common Function and Senior Management Groups. A limited amount of targeted technical assistance could be provided to assist a ministry in core reforms.
- 106 Ministries fulfilling the criteria for Tier 1 and submitting a successful CBRP application will be eligible to apply for a wider range of support. This includes support for the creation of Professional Cadres, as well as a Common Function and Senior Management Groups. Limited technical assistance could be provided to such ministries for both the development of their reform plans and for implementation.
- 107 It is expected that 8 ministries could be offered Tier 1 support over the course of the project. However, given the constraints of funding and government capacity, it will be necessary to begin with a smaller group of 2-4 ministries, and phase in further ministries over the course of the project. In line with government objectives, priority will be given to ministries managing large development budgets, and with key service delivery or revenue generation functions, when other criteria are met. The quantity and pace of ministries entering into Tier 1 will be dependent upon available resources (funding and management capacity), as well as ministerial interest in undertaking the reform plans required. The facility is designed to be flexible and accommodate the graduation of some ministries from Tier 2 to Tier 1 without diluting the criteria. The lessons learned from the initial group of ministries will also inform engagements with subsequent entrants into the tier.
- 108 Criteria for the three tiers will be detailed in the operating manual, but will likely include at minimum the following requirements: For Tier 2, ministries will be expected to have completed basic pay and grading reforms and have a draft strategic plan. There will also be a minimum budget execution rate the ministry will be required to meet before it proceeds to the Tier 2 application stage. For application to Tier 1, ministries will need to meet more ambitious budget execution criteria, have an approved ministerial reform plan, and have implemented the majority of the recruitment required through pay and grading reform. Tier 1 ministries will have a strong track record of reform, and will have in place adequate mechanisms for monitoring and evaluation of their reform proposals.
- 109 The criteria are aimed at ensuring that eligible ministries and agencies have the commitment and capacity to use the CBR resources effectively to improve ministry results. Ministries with large development budgets and responsible for core service delivery or revenue generation functions are given priority should they meet the other requirements in order to meet the government's aims of improving basic service delivery outcomes and improving budget execution.
- 110 Three main factors determine level of support given: 1) the prequalification criteria, assessed through a 'Request to Apply form'; 2) the ministry's suitability for implementation of a CBRP, assessed through a detailed reform proposal; and 3) the prioritization criteria, which apply to both stages of the process.



## *Approval Process for Application to Tier 1*

- 111 In order to qualify to prepare and submit a CBRP, a ministry must first make the case for its meeting the pre-qualification criteria through a Request to Apply form. This will include evidence of implementation of pay and grading reforms, and an approved strategy that clearly identifies the core functions of the ministry. Ministries will also need to demonstrate their reform efforts so far, and outline their plans for CBRP participation in a 3-5 page note. This will be assessed by an independent panel and a recommendation made to the Steering Committee regarding the ministry's suitability.
- 112 Once a ministry has been granted approval to develop a CBRP by the Steering Committee, an Advisory Group will be formed. This will support a ministry to develop its CBRP. This Advisory Group will be comprised of technical experts from MoF, IARCSC, Office of Administrative Affairs (Tashkeelat Commission), and other technical and sector experts. The Advisory Group will be coordinated through the IARCSC in consultation with the respective line ministry. The Steering Committee will confirm the composition of the group and name the team coordinator for the Advisory Group.
- 113 A ministry's CBRP will: set out a ministry's mandate, operational performance goals and its sector reform strategies; demonstrate how a ministry's organizational structure and staffing will be aligned to its core functions (at the center, province and district levels); explain how donor financing will be aligned to strategic goals; describe the business processes and other actions required to better meet its mandate; detail a strategy to reduce reliance on international and national technical assistance and include a detailed implementation plan and a results framework with annual targets for 5 years. Technical assistance can be provided to help a ministry develop or refine its CBRP.<sup>3</sup>
- 114 The Steering Committee will consider a ministry's CBRP following an independent assessment of the proposal. This independent assessment team will be conducted by a small expert group with a range of skills relevant to a line ministry. The team will formally assess the CBRP proposal and make a recommendation to the Steering Committee. These experts will be funded through the MoF CBR Facility PSU to contract such individuals to conduct an external review and advise the Steering Committee on specific reform proposals.
- 115 Through a related World Bank trust fund to be established, the Bank will provide just in time assistance for diagnostic and analytical work to inform reform efforts and support appraisal of CBRPs. Policy issues that may require diagnostics in the first two years of the project include: selection of approaches to pay and incentives based on regional lesson learning; diagnostics on sub-national service delivery constraints; and support for

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<sup>3</sup> Other World Bank projects under development are expected to assist with this work in some ministries. The Second Judicial Reform project will assist the Ministry of Justice and the New Market Development Project will provide TA to the Ministry of Commerce and Industry to help it prepare a CBRP.

government's efforts to harmonize pay scales and progressively reduce donor-funded civil service salaries and top-ups.

116 Ministries not eligible for CBRP support will be assisted to meet these eligibility criteria through Component 2.

### **Implementation of Capacity Building for Results Programs**

117 After CBRPs are approved by the Steering Committee, they will be provided to Cabinet for information purposes. Financing will then be provided for the defined CBRP activities of a ministry which may include consultancy services to help the ministry better deliver its mandate, assist with delivery of reform plans and assist in the progressive inclusion of CBR cadres in the ministry structure. A MOU will be agreed between the recipient ministry and the Steering Committee establishing monitorable performance targets with some performance-linked disbursements, the reporting schedule on agreed targets, and a monitoring structure.

#### *Performance Measurement and Accountability for Results*

118 A ministry can request technical assistance to develop a detailed performance assessment plan as part of its CBRP proposal and report on a quarterly basis. Based upon these targets, a ministry will be held accountable for results (See Component 4).

119 A ministry will be incentivized to achieve results in several ways.

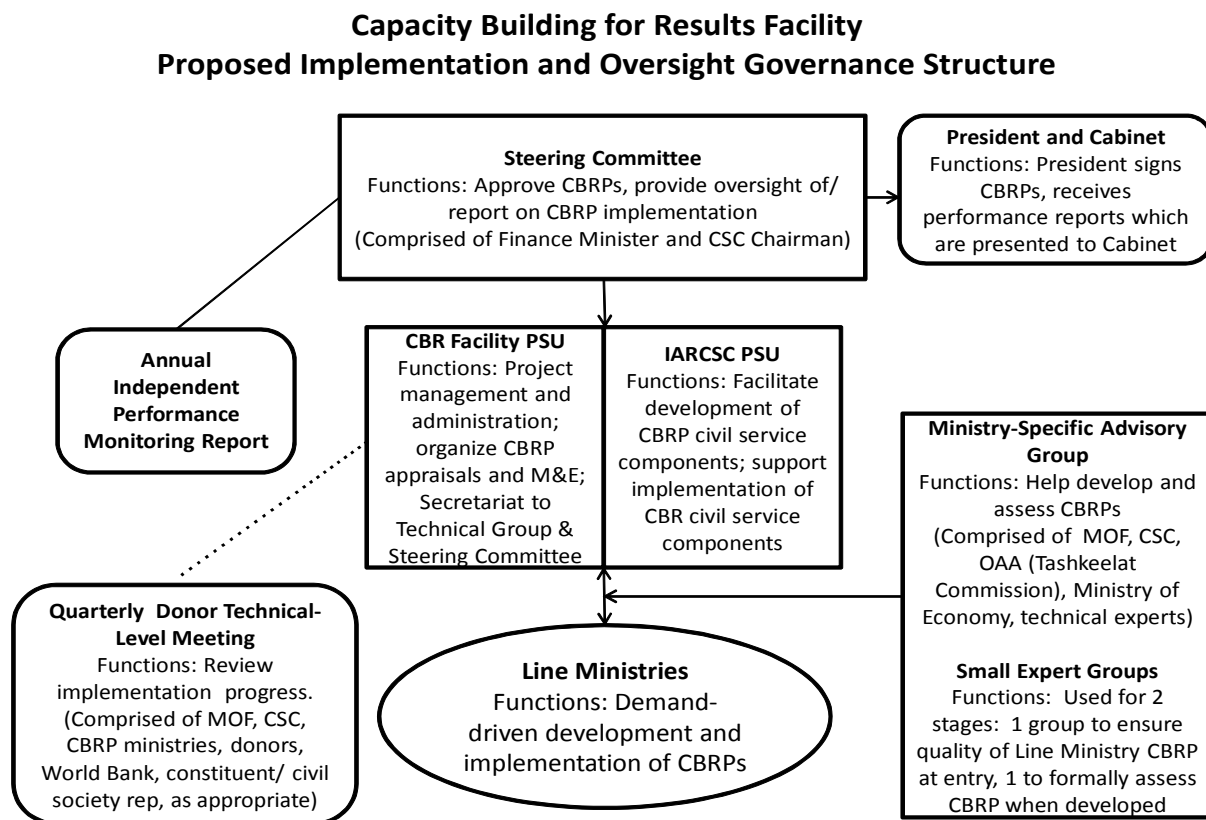
120 (a) *Rewarding exceptional results.* Exceptional results towards meeting budget execution and service delivery targets will be rewarded through additional funding directly from the Government. This will be provided to participating ministry units for staff bonuses. The proposed bonuses would be presented to the President by the Steering Committee for endorsement. The project shall assist in the development of this incentive framework and in its implementation.

121 (b) *Centrality of budget execution.* MoF will establish guidelines in the budget memorandum to determine additional incentives for high performing CBR ministries. This may include increasing a performing ministry's operating budget.

122 (c) *Tranching of TA and recruitment.* Provision of resources from the PSU to a ministry will be based upon a line ministry's performance in recruitment of CBR staff. Recruitment and resource flow will be aligned with institutional and structural reform milestones which are specified in the CBRP.

123 (d) ARTF Incentives Program. The mechanisms noted above will be reinforced by the ARTF Incentives Program (IP). The IP requires GoA to achieve specified public administration reform benchmarks, such as third party monitoring of Senior Management recruitment, in order to receive additional recurrent cost funding.

**Diagram 1**



**COMPONENT 2: BUILDING HUMAN RESOURCES**

124 CBR will support fundamental PAR efforts across government, with deeper reform efforts in selected CBRP ministries, along with the complementary development of their staffing cadres. This will include key elements of National Priority Program 3 (Efficient and Effective Government) which seeks to support and strengthen civil service capacity, and to enable effective delivery of services across Afghanistan. Activities under Component 2 will focus on (i) enabling selected ministries to implement approved CBRPs, and (ii) supporting ministries to implement critical system-wide civil service reforms.

**Subcomponent 2.1: Support to IARCSC for Civil Service Reforms**

125 The project will provide targeted assistance to IARCSC for the implementation of critical elements of the Government’s public administration reform agenda. The PAR reforms that ministries will be assisted to implement are summarized below:

**Box 2: PAR Support to Ministries**

<p><b>PAR Support to Tier 3 Ministries</b></p> <ul style="list-style-type: none"> <li>(i) Support the commencement and completion of P&amp;G reforms.</li> <li>(ii) Injection of senior management director level ‘common function’ management capacity.</li> <li>(iii) Assistance to ministries to initiate capacity assessments.</li> </ul>	<p><b>PAR Support to Tier 2 Ministries</b></p> <ul style="list-style-type: none"> <li>(i) Support ministry to complete implementation of P&amp;G</li> <li>(ii) Strengthen HR capabilities to recruit, manage, appraise senior and professional groups</li> <li>(iii) Complete detailed capacity assessments.</li> <li>(iv) Undertake preparatory steps for CBRP.</li> </ul>	<p><b>PAR Support to Tier 1 Ministries</b></p> <ul style="list-style-type: none"> <li>(i) Assist ministry to review and implement changes to approved P&amp;G organization structures.</li> <li>(ii) Support a review of functions and mandates against legal framework and development resources.</li> <li>(iii) Provide targeted support to achieve clear service and recruitment-related milestones in selected provinces.</li> <li>(iv) Provide targeted support to implement institutional strengthening measures outlined in CBRP’s</li> <li>(v) Evaluate performance of senior management group.</li> </ul>
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138 To support the CBR to enable ministries to graduate between tiers, the project will support the following elements of the public administration reform program: (i) phased transition to a new pay and grading system; and (ii) development of the human resource management framework and capabilities, including the establishment of CBR cadres. The facility will support activities underpinning these reforms in the following ways.

#### *Implementation of Pay & Grading*

- a. Support the implementation of P&G with a focus on quality and monitoring.
- b. Support to MoF and IARCSC to harmonize CBR salary scales with other GoA salary enhancement programs including the establishment of a mechanism to review salaries and allowances.

#### *HRM framework and policies*

- a. Support for the development of rules, regulations and procedures for management of civil servants and strengthening of human resource management capabilities of line ministries.
- b. Strengthen monitoring and evaluation of public administration reforms, including through 3rd party evaluation of HR practices and support for the Independent Appointments and Appeals Boards in IARCSC.
- c. Support to the IARCSC to develop programs to improve the representation of women in all CBR cadres and across the civil service, through the implementation of the GoA's approved Gender Policy.
- d. Strengthen sub-national capabilities that help IARCSC and ministries to respond to recruitment challenges in vulnerable provinces.

#### **Subcomponent 2.2: Appointment of Senior Management, Common Function and Professional Cadres**

139 This subcomponent will provide funds to CBR ministries through the MoF to support the additional cost of the Senior Management Group, the Common Function group, the Professional Cadres and management intern salaries.

140 *Professional Cadres.* The simple, first generation civil service pay and grading (P&G) structure does not adequately capture differences in job responsibility for professional/technical grades. Some ministries have experienced severe difficulties in differentiating between jobs in certain categories. The salary offered to staff is also not able to attract and retain appropriate technical skills within a ministry due to prevailing distortions in the market rates precipitated by competing demands from donors, UN agencies and other organizations. Technical Assistance may be provided to ministries to help them determine the scope and nature of the professional groups required to best meet their mandate. Determination of these professional groups and the appropriate remuneration will be done in consultation with IARCSC and MoF and in line with the National TA Commission. To the extent possible, recruitment for individual groups will proceed in batches.

141 *Common Function Groups.* Ministries in Tier 1 will be eligible to receive a cadre of common function staff for activities which cut across all ministries, such as financial management, procurement, audit, and human resource management. These common pay bands (and steps within bands) will be standard across ministries as Common Function staff will be expected to move between ministries as part of career progression. Recruitment into the Common Function groups may be organized in batches.

142 *Senior Management Group.* A more permanent approach is required to move away from the current ad hoc injection of capacity to management positions through the Management Capacity Program (MCP). This will be known as a Senior Management Group (SMG). Based on the managerial staffing requirements as proposed in a ministry's CBRP, a complement of critical managerial staff will be appointed through open competition to key managerial positions in Kabul and the provinces for a period of up to 5 years. The creation of the Senior Management Group will constitute a follow-on to the MCP program.

143 Initially, the project will cover the total cost of salaries for the Senior Management Group and management interns, and the *difference* between the P&G and CBR salaries for the professional and technical cadres. The P&G costs of the salaries for professional and common function cadres will be covered directly by the government. This financing partnership with government will develop over the course of the project. The Government of Afghanistan (GoA) has agreed to a cost sharing agreement which will include: (i) financing the pension contribution for all SMG staff, (ii) payment of underlying pay and grading salary component for SMG staff from year 2 onwards and (iii) from year 3, financing of an additional 5 percent of the salary difference between CBR and pay and grading pay scales rising to 15 percent in year 5.

### **Subcomponent 2.3: Management Internship Program**

144 A management internship program will be implemented by the IARCSC with an estimated total of up to 300 university graduates participating by year 5. This is a key part of the sustainability of the project as these individuals represent the future managers in the government who will emerge through a new salary regime. They will be supported through

training and a rotation process across government for their first 2 years in the program and then graduate to become junior managers. The program will be comprised of 2-3 ministry-specific work assignments over a 2 year period, including employment experiences at provincial levels of the ministry; a focused recruitment, training and mentoring program supported by senior managers recruited through the CBR and advisers recruited through the CTAP program; the development of a framework of rules and regulations that cover management, performance assessment, career development and establishing a program to transition interns into junior management posts on a competitive basis. Opportunities to fund graduate studies in specialized relevant fields through bilateral financing are being explored. After two years of operation, the program will be reviewed to assess whether intake should be increased. This sub-component will finance (i) consulting services for the training, as well as for advising on development of the policies and procedures for the Management Internship Program (MIP); and (ii) scholarships for selected interns, once they complete a minimum period of post-intern service as a civil servant and (iii) related management and operating costs.

#### **Subcomponent 2.4: Consulting Services to Assist with Recruitment**

145 The project will support the establishment of Senior Management, Common Function and Professional Cadres, in order to address the pressing capacity constraints currently faced by government. This subcomponent also covers the financing of an HR firm to develop and manage recruitment and oversight processes for the Senior Management Group and management internship cadre, in collaboration with the IARCSC.

146 Support for the establishment of these groups will cover the following activities:

##### *Establishment of Common Function and Professional Cadres*

147 Refining the pay and grading framework to establish critical professional and common function groups in ministries implementing CBRPs. Actual salary scales over time will depend on several factors: movement in underlying P&G pay, adjustments proposed by an annual pay body (to be established mid-way through the project life), external labor market considerations, decline in overall donor funding, the implementations of the NTA Commission's recommendations, and fiscal considerations. Combined, these are likely to have the effect of lowering the permanent recurrent pay for these posts over time;

148 Developing the framework of rules and regulations for management of professional and common function groups and their development professionally;

- 149 Conducting labor market and fiscal analysis to inform the development of pay and incentives for professional groups that take account of labor market context, security and other related challenges especially affecting employment at sub-national levels; and
- 150 Monitoring and assessment of the implementation of pay and grading reforms and adjustments in CBRP ministries.

*Establishment of a Senior Management Group and Management Internship Program*

- 151 Support will be provided to the IARCSC to, with the support of an HR firm, recruit and manage the Senior Management Group and Management Interns, and to develop its long term capacity to manage these processes directly.
- 152 The IARCSC will be supported to develop a performance management framework for Senior Management staff.
- 153 The program will support an integration of the CBR program and the Civilian Technical Assistance Program (CTAP), through harmonized recruitment processes and mentoring arrangements.

**Subcomponent 2.5: Financing of Managerial Staff Contracted under the Management Capacity Program**

- 154 This subcomponent will provide continued financing for about 90 managerial staff who were contracted under the Management Capacity Program (MCP) and have contract period beyond December 31, 2011 when the MCP closes. The MCP appointees have played an important role across the Afghan government, most notably in the Ministry of Finance and Ministry of Communication and Information Technology. Nevertheless, the MCP did not establish a clear link between specific reform plans of ministries and the MCP appointments to ensure that the appointments would be part of a broader process of change within their institutions. It was agreed with the government in December 2010 that the MCP will close as scheduled on December 31, 2011 and payments for ongoing contracts of managerial appointees after December 31, 2011 will be covered by the CBR. Individuals on these contracts will be eligible to apply for Senior Management Group positions under Subcomponent 2.2.



### COMPONENT 3: CIVIL SERVICE TRAINING

155 The GoA has, through the support of the Korean International Cooperation Agency (KOICA), USAID and other donors, established the Afghanistan Civil Service Institute (ACSI). Between 2005 and 2011, the GoA has provided a range of training for civil servants at the centre and provincial levels. This agency will be supported to provide harmonized and targeted training programs for civil servants, and develop partnerships with national and international training institutes. Building upon the lessons learned, this component will also support the development of civil service capacity through the development of institutionalized training delivered through ACSI as part of career enhancement programs, subject to regular monitoring and oversight.

#### *Targeted Civil Service Training*

156 A structured training program will be developed for the senior and mid-level management, and professional cadres. This will include formal classroom training, peer learning, structured twinning arrangements, mentoring and degree or certificate programs. This component will also support development of capacity to deliver these training programs. The training will cover issues including (i) the functions and responsibilities of public administration; (ii) accountability and governance; (iii) management and leadership; and (iv) core skills enhancement (e.g. English language, IT). Consultations for co-financing from bilateral donors are being held to develop training capacity.

157 *Monitoring and evaluation:* Support capacity development in the IARCSC and line ministries to continuously monitor and evaluate these elements of the civil service training program and provide periodic reports to the Project Support Unit and Steering Committee.

#### *Management Internship Training*

158 Formal classroom training will be conducted in public administration, management and leadership development. A mentoring program and selected opportunities for a masters or certificate in public management/administration will be developed. The training will include (i) the functions and responsibilities of public administration; (ii) accountability and governance; (iii) management and leadership; and (iv) core skills enhancement (e.g. English language, IT). There will be a strong emphasis on building the ethos of the cadre as future leaders of the civil service, and the responsibilities of their future roles in light of Afghanistan's transition.

## **COMPONENT 4: PROJECT MANAGEMENT, MONITORING AND EVALUATION**

159 The section outlines the project management structure and oversight arrangements (see Annex 7)<sup>4</sup>.

### **Subcomponent 4.1: Project Support Units**

160 This component will finance program management costs for five years. It will finance operating costs of the CBR Facility PSU located in the MoF and an IARCSC CBR PSU located in the IARCSC. The MoF CBR Facility PSU Manager will work under the supervision of the Director General for Budget and the Deputy Minister for Finance, and the IARCSC CBR PSU Manager will report to the Chairman on a functional basis. The MoF CBR Facility PSU will be responsible for project management and administration (e.g., financial management and procurement), assistance in the assessment of proposals, and project monitoring and evaluation against the results framework and oversight. The IARCSC CBR PSU will be responsible for implementation of Components 2 and 3, including the CBR civil service components (e.g., institutional development and public administration reform functions). An Operations Committee, comprised of the MoF Director General for Budget and the managers of IARCSC CBR PSU and MoF CBR Facility PSU, will meet on an as needed basis to coordinate CBR implementation. The MoF CBR Facility PSU will manage funding for services on behalf of participating line ministries. The MoF CBR Facility PSU will be responsible for the contracting of relevant firms for support in the provision of TA and associated logistical requirements. In addition, the MoF CBR Facility PSU will serve as secretariat to the Steering Committee. The IARCSC CBR PSU will coordinate the Advisory Groups. The MoF CBR Facility PSU will be established before the project is operational through pre-financing from MoF. Key positions for the IARCSC CBR PSU may also be established through the retroactive financing from MoF.

161 The MoF CBR Facility PSU and IARCSC CBR PSU will jointly produce a quarterly assessment of project implementation and a more detailed bi-annual assessment measuring progress based upon ministry performance indicators. The MoF CBR Facility PSU will establish an assessment team for this work as required.

162 IARCSC is responsible for oversight of the civil service and public administration areas which include: civil service reform and human resources management; recruitment of civil servants; training and capacity development of civil servants; and other functions outlined in its statutes and relevant laws.

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<sup>4</sup> Governance arrangements will be reviewed during the project life to ensure they have the intended effect and adjustments may be necessary.

- 163 A logistics firm will be contracted to provide logistical support to the MoF CBR Facility PSU and for all international consultants hired through the MoF CBR Facility PSU, including transport and housing.
- 164 A survey firm will be hired to assist ministries in the development of methodologies for and implementation of monitoring and evaluation processes.
- 165 A performance monitoring firm will be contracted to conduct annual performance monitoring reports, along with a survey firm which will conduct three public perception surveys over the life of the project.

### **Other Oversight Arrangements**

- 166 *President and Cabinet:* The Steering Committee will report on CBR implementation to the President every quarter with the President or Steering Committee presenting to Cabinet the quarterly progress reports. An annual independent performance monitoring report will also be conducted and presented by the Steering Committee to President and then to Cabinet. The Cabinet will also receive CBRPs for information.
- 167 *Steering Committee:* This Committee is comprised of the Minister of Finance and the IARCSC Chairman. It will assess and approve the CBRP proposals. It will provide oversight and report on CBR implementation to the President and through the President, to Cabinet on a regular basis. It will confirm the composition of ministry-specific Advisory Groups and appoint the coordinator.
- 168 *Quarterly Donors' Technical-Level Meeting:* These will take place to review project progress and implementation bottlenecks. They will receive quarterly reports on the project. This group will be comprised of key development partners and contributing donors, the World Bank, ministries undertaking reforms, MoF, IARCSC, and other representatives, as appropriate. The intention is to include relevant constituent or civil society representation at this level in the oversight process to develop stakeholder interest and support. Given the importance of coordinating with donors, the MoF CBR Facility PSU will create a regular communications mechanism.
- 169 *Standard World Bank internal project reviews* and supervision missions will be conducted by Bank staff, per Bank rules, to ensure regular assessment of project performance. Large contributing donors will be invited to participate in bi-annual Bank supervision missions with quarterly supervisions in the first year. Bank supervision will be supported by relevant diagnostic and analytic work.

## ANNEX 2: RESULTS FRAMEWORK AND MONITORING

### AFGHANISTAN CAPACITY BUILDING FOR RESULTS FACILITY

170 The Project Development Objective is to assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people.

171 The project recognizes that service delivery outcome improvements will follow from process and institutional reforms in ministries. Therefore, in the initial years of the project, evidence of enhanced capacity and progress on core institutional and process reforms is central; it is in the later years of the project (Y3 and beyond) that evidence of improved ministerial performance outcomes (e.g., budget execution increased and services delivered more effectively) is expected. Therefore, the primary output indicators are divided between those that track capacity improvements and those that focus on ministry performance. Some benchmarks are defined up-front, whereas others will only be defined once ministries are approved to enter the facility during the implementation period. The final group of results indicators focus upon improving capacity and authority at the sub-national level, since this is the level of government at which a large proportion of government services are delivered.

172 The outcomes and outputs of this project are as follows:

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<b>PDO</b>	<b>Output Indicator(s)</b>	<b>Baseline (2011 or latest estimate)</b>	<b>Proposed target (2016)</b>
To assist the government in improving the capacity and performance of	Development budget execution rates in Tier 1 ministries	30%	Tier 1 ministries' development budget execution rates tend to rise over the course of the project, reaching at least 60% on average for all Tier 1 ministries by project closing.

<b>PDO</b>	<b>Output Indicator(s)</b>	<b>Baseline (2011 or latest estimate)</b>	<b>Proposed target (2016)</b>
select line ministries in carrying out their mandates and delivering services to the Afghan people.	Business process <sup>5</sup> improvements in Tier 1 ministries (as outlined in the ministry's performance plan)	0.0	Number and percentage of targeted business process improvements achieved in Tier 1 ministries tends to rise over the course of the project.
	Service delivery improvements in Tier 1 ministries (as outlined in the ministry's performance plan)	0.0	Number and percentage of targeted service delivery improvements achieved in Tier 1 ministries tends to rise over the course of the project.
	Strategic staffing in place across government	70 <sup>6</sup>	Number of Senior Management Group positions filled.

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<sup>5</sup> The business process and service delivery baselines and indicators will be established based on individual line ministry CBRPs. They are measured in absolute and percentage terms with respect to Tier 1 ministries' progress. A Tier 1 line ministry defines its baseline and performance targets in its CBRP and the PSU provides support to the ministry to ensure the credibility of its baseline. The performance targets are included in an MOU between the ministry and MoF.

<sup>6</sup> Based on number of MCP incumbents who are expected to transfer to the CBR Senior Management Group.



PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
<b><i>Project Development Objective (PDO): To assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people.</i></b>								
Tier 1 ministries' development budget execution rates tend to rise over the course of the project	30%	30%	35%	40%	50%	60%	MoF budget execution figures for Tier 1 ministries.	Tier 1 ministry CBRP should have an execution target of 75% by its fifth year of implementation. From Y3 only ministries that have been in the facility for more than two years will be measured
Number and percentage of targeted business process improvements achieved in Tier 1 ministries tends to rise over the course of the project.	n(0)  r(0)	n(1) .> n(0)  r(1) > r(0)	n(2) .> n(1)  r(2) > r(1)	n(3) .> n(2)  r(3) > r(2)	n(4) .> n(3)  r(4) > r(3)	n(5) .> n(4)  r(5) > r(4)	Tier 1 ministry defines its business process baseline and improvements in its CBRP and PSU provides support to ministry to ensure credibility of baseline and plans. Business process improvements measured against ministry reform plans and	Business process improvements should contribute to improved service delivery by, e.g., better focusing management on results, enhancing accountability, reducing leakage of budget funds, etc.

PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
							established program budgeting output indicators, where relevant. Beneficiary ministries to provide quarterly reports summarizing business process improvements efforts and accomplishments to PSU and Steering Committee.	
Number and percent of Tier 1 ministries achieving progress on at least 1 service targeted in the CBR programs	0 0%	n(1) > 0 r(1) > 0%	n(2) > n(1) r(2) > r(1)	n(3) > n(2) r(3) > r(2)	n(4) > n(3) r(4) > r(3)	n(5) > n(4) r(5) > r(4)	Tier 1 ministry defines its baseline and planned progress targets in its CBRP and PSU provides support to the ministry to ensure credibility of baseline and progress targets. Annual reports by Tier 1 ministries on progress relative to the performance indicators agreed in their MOU	Credible evidence of continuous improvements in service delivery on at least one targeted service among Tier 1 ministries, even if modest, ministries is desirable.



PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
							with MoF measured from year 1 of ministry's participation. In addition, a Service Delivery Survey (SDS) is contemplated for service delivery ministries which will be used to judge whether public perceptions of service delivery have improved is part of the Ministry's CBRP proposal, with specific baselines. For ministries for which this would not be appropriate (e.g., primary function is regulatory, investment, or facilitative), the CBRP proposal shall specify the methodology ministry will employ to provide	

PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
							systematic, empirical evidence on performance.	
Number of senior management group (SMG) positions filled	70	120	200	400	600	750	IARCSC cumulative figure for number of SMGs across government.	Number of SMGs in posts considering 23 ministries will be eligible for some positions under CBR, including incumbents from MCP (70), and Tiers 1 and 2 will be eligible for higher numbers.
<b>Intermediate Results: Sustainable Capacity Development Supported in Ministries</b>								
Number of CBR cadres established (professional cadres and common function groups) continuously increases during project implementation.	0	4	5	6	8	10	Amended regulations establishing these groups approved by Government, Tier 1 ministry provides bi-annual reports to PSU summarizing progress in implementing regulations, with quality assurance provided by	There will be 4 common function cadres across government. Tier 1 ministries will be able to request and establish professional cadres, numbers and types of which will depend upon a

PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
							IARCSC	ministry's plans.
Percentage of SMG deployed to the sub-national level <sup>7</sup>	0%	5%	10%	14%	17%	20%	HR firm and IARCSC Statistics	
<b>Intermediate Results: Improved HR Processes in Ministries</b>								
Reduction in vacancy rates of <i>tashkeel</i> positions across government	TBE						IARCSC figures on vacancy rates across government.	A natural level of vacancy rates of approx 20% is expected and the aim. Measure is average percentage of vacancy rates across government each year.
Number of women in senior civil service in increases	80	80	84	88	92	100	IARCSC central database and Gender Unit	Cumulative numbers of women in grades 1-2 across government. Completion of pay and grading is posited to enhance capacity in all ministries by improving

<sup>7</sup> This will be monitored only in Tier One ministries delivering services at sub-national level

PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
								their capacity to attract and retain needed skills and improve stability in the civil service.
Number of ministries who have completed pay and grading.	8	10	13	16	19	23	IARCSC confirmation through MoF's payroll data.	Includes all ministries (23) except MOI and MOD. Completion is measured as a ministry having recruited 60% of its reformed tashkeel. Completion of P&G is posited to enhance capacity in all ministries by improving capacity to attract and retain needed skills/ improve stability in civil service.
<b>Intermediate Results: Improved sub-national ministry performance</b>								
All CBRP ministries develop a	0	Yes	Yes	Yes	Yes	Yes	Internal report, CBR Facility PSU and	Success measured by all ministries

PDO Level or Intermediate Results Indicators	Benchmarks						Monitoring Mechanism	Key Assumptions
	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5		
functioning O&M management system <sup>8</sup> within 18 months of participation							independent assessment	with CBRPs having developed this process within 18 months of signing CBR agreement
Percentage increase in the amount of O&M budget allocated to sub-national departments in Tier 1 ministries.	0						Line Ministry budget department, AFMIS	
O&M budget execution rate of provincial departments in Tier 1 ministries increases.	TBE						Line Ministry budget department, AFMIS	From year 3, only ministries participating for two years or more will be measured.

**Notes**

- 1) 'Year' in this framework refers to calendar years beginning from 2012
- 2)  $r(i)$  = average rate/ratio/percentage in period  $i$
- 3)  $n(i)$  = total number in period  $i$
- 4) TBE = Baseline to be established by end of Y1 of project
- 5) The composition of the Tier 1 ministries category will change over the life of the project as new ministries enter the program

<sup>8</sup> This should comprise at minimum an asset inventory, a register of unit costs and establishment of appropriate allocation principles and monitoring mechanisms

**ANNEX 3: SUMMARY OF ESTIMATED PROJECT COSTS**

**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

174 The Project cost table by sub-component, in US\$ millions, is provided below:

<b>Component</b>	<b>Sub-component</b>	<b>Cost of sub-component</b>	<b>Cost of component</b>
<b><i>Component 1: Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs</i></b>			<b><i>30</i></b>
1.1	Preparation, Implementation and Quality Assurance of Capacity Building for Results Programs	30	
<b><i>Component 2: Building Human Resources</i></b>			<b><i>280</i></b>
2.1	Support to IARCSC for Civil Service Reforms	6	
2.2	Appointment of Managerial, Common Function and Professional Staff	246	
2.3	Management Internship Program	10	
2.4	Consulting Services to Assist with Recruitment	14	
2.5	Financing of Managerial Staff Contracted under the Management Capacity Program	4	
<b><i>Component 3: Civil Service Training</i></b>			<b><i>20</i></b>
<b><i>Component 4: Project Management Monitoring and Evaluation</i></b>			<b><i>20</i></b>
<b>TOTAL</b>			<b>350</b>

Note: This project uses a framework approach without a pre-appraised number of ministries. The requests for ARTF funding will be made in tranches reflecting needs and performance. The costing above estimates a total of 8 tier 1 line ministries participating over 5 years and funding for an additional 2 tier 1 ministries to scale up if absorption rate is sufficient.

**ANNEX 4: OPERATIONAL RISK ASSESSMENT FRAMEWORK**

**AFGHANISTAN CAPACITY BUILDING FOR RESULTS PROGRAM**

<b>Project Development Objective(s)</b>	
<p>To assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people. This will be achieved through the implementation of specific capacity and institution building programs, which include systematic monitoring of and reporting on results.</p>	
<p>PDO Level Results Indicators:</p>	<ul style="list-style-type: none"> <li>• Development budget execution rates in Tier 1 ministries</li> <li>• Business process improvements in Tier 1 ministries (as outlined in the ministry’s performance plan)</li> <li>• Service delivery improvements in Tier 1 ministries (as outlined in the ministry’s performance plan)</li> <li>• Strategic staffing in place across government</li> </ul>

<b>Risk Category</b>	<b>Risk Rating</b>	<b>Risk Description</b>	<b>Proposed Mitigation Measures</b>
<b>Project Stakeholder Risks</b>	High	The key stakeholder risks are changes in political leadership posing a risk to continued support for reforms; weak oversight and weak ministerial commitment; and that line ministries receiving more limited benefits through the program may not be supportive.	<p>Since the program is demand driven, it creates incentives to reform through provision of high capacity staff positions, and there will be a strong review process for applications to ensure suitability and commitment of applicants. This is maintained through the MOU between LMs and the SC. The program has been developed in close collaboration with MOF and IARCSC, and therefore has substantial buy in from the relevant government agencies.</p> <p>All ministries receive a basic level of Tier 3 assistance which should increase cross</p>

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures
			governmental support for the project.
<b>Implementing Agency Risks</b>	Substantial	There is a risk that the implementing agencies will lack capacity to implement the project, such as procurement processes. Weak coordination between the IARCSC and the MOF is also a key risk. Ineffective monitoring and oversight, and rent-seeking through recruitment processes are risks.	Both MOF and IARCSC will have strong PSUs with a number of positions to assist with project management and project coordination. The SC and PSU Heads will also ensure regular communication. The IARCSC will be assisted in the management of recruitment tasks through the presence of an HR firm. Strategic TA can also be offered to the agencies to build further capacity, and World Bank staff can also provide guidance. The number of ministries gaining tier 1 status in the first two years will be limited, thus reducing the pressure on these units. Strong FM processes per Bank regulations will be put in place, and capacity built for management, oversight and reporting in MOF.
<b>Project Risks</b>			
Design	Moderate	Ministry reform plans must be credible and fully owned by the ministry. This would otherwise pose a risk to ongoing commitment through the implementation period. There is also a risk that the remuneration package may not be attractive enough.	SC oversight and agreement with LMs should encourage commitment, particularly through the provision of reports to cabinet. Competitive application process with quality assurance mechanisms will mitigate risk of inadequate CBRPs. Project design benefited from intensive consultation with project stakeholders, including the NTA Commission.
Social & Environmental	Low	<p>The project is focused on human capacity and organizational structure or line ministries/government entities so will not have social or environmental impacts that trigger WB Safeguards policies.</p> <p>There could be unequal employment opportunities and gender balance issues.</p>	<p>There are no mitigation measures as there are no expected direct social and environmental impacts.</p> <p>However, for the recruitment of staff and management interns, recruitment will be carried out in compliance with the policies and procedures established for the project, including equal opportunity and gender balance.</p>



Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measures
Program & Donor	Substantial	Program success is contingent upon donor funding and donor coordination in capacity building efforts and support to participating institutions.	CBR is structured as one major program through ARTF, thus improving coordination. Bank staff will work closely with key ARTF donors to understand any funding issues or plans to fund other sector interventions to ensure coordination. CBRP requires ministries to improve coherence between existing and new donor interventions.
Delivery Quality	High	<p>Ministries will need to be sufficiently motivated and able to effectively implement their CBRPs to achieve their budget exec and service delivery targets. Ministries may have difficulty recruiting and managing staff to ensure focus is on results, and in maintaining focus on targets such as improved budget execution. M&amp;E of LM reforms and achievements will rely partially on LMs self-reporting.</p> <p>High risk that government will not be able to sustain salary levels supported under project after completion.</p>	<p>Oversight mechanisms and M&amp;E specialist support established in MOF PSU. Close and regular Bank supervision and regular engagement with government agencies to identify problems with LM implementation to address them throughout the project span.</p> <p>Close coordination with donors to ensure success of NTA commission recommendations and establishment of pay commission to address longer term salary issues.</p>

Overall Risk	Risk Rating: Implementation	Comments
		The overall rating takes in to account the risk identified above as well as experience under the CSR, MCP, other donor programs in the sector, and the team's knowledge of a range of line ministries. Institutional reform is

High	High	extremely complex. At the same time, the risks of inaction in this area are extremely high with government continuing to underperform in key service delivery areas and losing popular support. Risk will be managed by starting with smaller number of ministries, focusing upon demand only approach and building experience over time.
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**ANNEX 5: FINANCIAL MANAGEMENT, DISBURSEMENT AND AUDIT ARRANGEMENTS**  
**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

**Country Issues**

175 The Bank has gained substantial experience and understanding of the financial management environment in Afghanistan through the large number of projects under implementation over the years. In addition, the Bank funded Public Financial Management (PFM) reforms<sup>9</sup> undertaken by the Government of Afghanistan (GOA) continue to support the enhancement of the fiduciary environment to ensure transparency and accountability in the use of funds provided by the Bank and other donors.

176 A PFM performance rating<sup>10</sup> was carried out in 2005 followed by a second review in 2007. The FM performance indicators generally portray a public sector where financial resources are, by and large, being used for their intended purposes. This has been accomplished with very high levels of support from international firms; this assistance will continue to be needed over the medium term if these ratings are to be maintained.

177 In spite of undeniable gains made in reconstruction since the end of 2001, the challenges facing Afghanistan remain immense; among them the security situation in the region, corruption and continued prevalence of a large illegal and illicit economy. Various priorities of the Government are funded through the annual budgeting process. With regard to executive oversight, the national assembly plays an active role. The public sector remains weak; lack of qualified staff in the civil service together with delays in civil service reforms have led to shortage of qualified counterparts in the government.

178 Though capacities to track expenditures and monitor expenditure outcomes have improved, they need rapid and substantial strengthening. The World Bank is financing a Financial Management Advisor to assist the Ministry of Finance, an Audit Advisor to assist the Control and Audit Office, and a Procurement Advisor to assist in Procurement related activities. Also an Internal Audit function is being developed within the Ministry of Finance with World Bank financing. Donors are financing consultants and advisors to assist the Da Afghanistan Bank in local as well as foreign currency operations. The activities carried out

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<sup>9</sup> The Public Financial Management Reforms Project (PFMRP) is the primary instrument to continue and enhance the fiduciary measures put in place during the past years to help ensure transparency and accountability for the funding provided by the Bank and other donors.

<sup>10</sup> A PFM performance rating system using 28 high-level indicators that was developed by the Public Expenditure and Financial Accountability (PEFA) multi-agency partnership program was applied in Afghanistan in June 2005. PEFA is comprised of the World Bank, IMF, EC, and several other agencies. The system is structured around six core dimensions of PFM performance: i) budget credibility, ii) comprehensiveness and transparency, iii) policy-based budgeting, iv) predictability and control in budget execution, v) accounting, recording, and reporting, and vi) external scrutiny and audit. The PEFA report is available in the Bank's files.

under the existing PFM Reforms projects are helping the Government to ensure that appropriate fiduciary standards are maintained for public expenditures, including those supported by the Bank and the donor community.

179 The operations support provided by the three Advisors is expected to continue for the medium term. Challenges still remain in attaining the agreed upon fiduciary standards and also to further enhance them.

180 **Risk Assessment and Mitigation.** The table below identifies the key risks that the project may face and indicates how these risks are to be addressed.

<b>Risk</b>	<b>Risk Rating</b>	<b>Risk Mitigation Measures</b>	<b>Residual Risk</b>	<b>Condition of negotiations, Board or Effectiveness (Y/N)</b>
<b>1. Inherent Risk</b>				
Country Inherent Risk	M	Source - PFM study	M	N
Project Financial Management Risk	H	Financial Management Consultants in the Project Support Units will provide financial management support to the program	S	N
Perceived Corruption	H	Government commitment, internal controls and the recruitment of internal audit consultant will help to reduce the high level of perceived corruption	S	N
<i>Overall Inherent Risk</i>	H		S	
<b>2. Control Risk</b>				
1. Weak Implementing Entity	H	Project Support Units (PSUs) at MoF and IARCSC will undertake the day-to-day management and Steering Committee will perform oversight function. Both PSUs & SC will have defined TOR	S	N
2. Funds Flow	M	Direct payments to consultants, Suppliers, etc. from the Designated	L	N

		Account (DA) by SDU-MoF. In addition direct payments from the Credit Account to consultants and suppliers and special commitments for contracts covered by letters of credit are also envisaged.		
3. Budgeting	S	PSU (MoF) will coordinate with each component implementing entity for preparation of annual work plans and budgets, these would then be approved by SC.	M	N
4. Accounting Policies and Procedures	S	Will follow international standards. Project accounting procedures and details of the FM arrangements will be documented in an FM Manual to be agreed with the Bank	M	N
5. Internal Audit	H	Internal Audit consultant to be recruited to strengthen the internal audit unit of the MoF and will review project internal control systems	S	N
6. External Audit	H	Will be audited by CAO with support from Audit Advisor	S	N
7. Reporting and Monitoring	H	Will provide regular information that will comply with agreed format of financial reports specified in the FM manual.	S	N

<i>OVERALL CONTROL RISK</i>	H		S	
<b>DETECTION RISK</b>	S	Adequate accounting, recording, and oversight will be provided in project procedures. Oversight by SDU – MOF of all advances/ M-16 supported by Financial Management Advisor. Regular Internal audit of CBRP	M	N
<i>RISK RATING: H=HIGH RISK; S=SUBSTANTIAL RISK; M=MODEST RISK; L-LOW RISK</i>				

### *Strengths and Weaknesses*

#### *Strengths*

181 The Government provides assurance to the Bank and other donors that the measures in place to ensure appropriate utilization of funds will not be circumvented. The Public Financial Management Reform Project to enhance financial management in Treasury operations, public procurement, internal audit in the public sector, and external audit by the Auditor General continue to demonstrate good results.

182 The implementing line ministry, MoF has implemented/ is implementing other Bank funded projects prior to this, so the agency has experience in implementing Bank projects and following Bank procedures.

#### *Weaknesses and Action Plan*

183 The main weakness in this project, as in many others in Afghanistan, is the ability to attract suitably qualified and experienced counterpart staff especially for Financial Management. The FM consultants recruited under this project is expected to strengthen fiduciary arrangements.

#### **Action Plan – To be reviewed at ‘Initial Supervision’**

<b>Significant Weaknesses</b>	<b>Action</b>	<b>Responsible Agent</b>	<b>Completion Date</b>
Shortage of qualified and experienced FM staff	Recruitment and retention of the FM staff in all implementing entities	MoF/IARCSC/Participating ministries	Hired

Significant Weaknesses	Action	Responsible Agent	Completion Date
Project internal controls and procedures need to be defined	Financial Management Manual developed, reviewed, and agreed with the World Bank	PSU/MoF	15 February
Insufficient internal audit resources	Project internal auditor hired	MoF	Within six months of signing
Interim reports need to include required information	Un-audited interim financial report formats for the project confirmed	ARTF/PSU/MoF	Before negotiations

### Implementing Entity

184 The project will be implemented by Project Support Units (PSUs), located in the MoF and IARCSC. The PSU at MoF will be headed by the Deputy Minister for Finance and Director General for Budget. It will be established to coordinate and supervise the implementation of the project and consultants will be appointed to perform financial management functions. Given the IARCSC's responsibility for Components 2 and 3, IARCSC will manage its own PSU reporting to the IARCSC Chairman on a functional basis and the SC at a higher level. The IARCSC CBR PSU will have a manager, a project officer, a financial management advisor, a communication and reporting officer, a PSU assistant, and additional positions as needed.

185 The PSU (MoF) shall be staffed with qualified and experienced financial management staff to carry out day-to-day financial management operations of the project with support from the Finance and Administration department of MoF for the preparation of M-16 forms (payment orders), Project coding sheets, and B27 allotment forms as well as overall contract and Project management. Detailed FM reporting requirements, staffing, systems, internal control procedures, and other FM arrangements will be included in the Financial Management Manual.

186 As part of its responsibilities, PSU (MoF) will procure consultants on behalf of participating line ministries and IARCSC and will review and oversee the payment of salaries to management, professional and common function staff, and performance awards to participating line ministries.

#### *Project coordination and monitoring*

187 The PSU (MoF) has the responsibility for overall project implementation, coordination, and monitoring. The PSU (MoF) will work closely with the relevant departments within

MOF, PSU at IARCSC, and participating line ministries to facilitate this function. The PSU (MoF) is also responsible for: (a) assuring steady progress of execution in accordance with an implementation schedule reviewed and approved by the World Bank, (b) ensuring adequate and smooth transfer of skills to the national contracted staff and civil servants, and (c) ensuring that transparency and high ethical standards are maintained throughout the process.

188 An Operations Committee comprised of the MoF Director General for Budget and the managers of both PSUs will meet on a need basis to coordinate CBR implementation.

### *Project oversight*

189 Oversight function will be performed by Steering Committee comprised of MoF (Finance Minister) and IARCSC (Chairman). The Steering Committee will provide oversight on the implementation of the CBRP and report on CBRP implementation to the Cabinet. Donors will be engaged and review implementation progress through a quarterly Donors' Technical-Level Meeting which will also include MoF, IARCSC, CBRP line ministries, World Bank, and relevant constituent or civil society representative(s).

### **Budgeting**

190 The budget for the CBR Facility will be managed by the PSU (MoF). PSU (MoF) will coordinate the preparation of annual work plan and the derivation of annual budget in consultation with PSU at IARCSC and the participating line ministries. The annual plans and budgets will be approved by the SC. The PSU (MoF) will be responsible for ensuring that the project budget for each fiscal year is captured in the Governmental Development Budget of that fiscal year. The PSU (MoF) will coordinate quarterly budget reviews to ensure adequate budget discipline and control and place budget review reports before the SC for its consideration and guidance. At year end the PSU (MoF) will ensure that it seeks MoF's approval of unutilized budget amounts as carried forward budget. Approved carried forward budget ensures uninterrupted disbursements while waiting for the Parliament's approval of the new year's budget. PSU should seek approval of carried forward budget forty-five (45) days before the end of the fiscal year.

191 The budgeting process and the key role of PSU (MoF) on compilation and periodic budget reviews will be detailed in the FM Manual. The annual work plans and the annual budgets will be submitted to the Bank for review and approval, not later than three months before the end of the fiscal year

### **Funds Flow/Disbursement**

192 Project funds in the form of advance up to a ceiling of four months' worth of expenditures to be financed out of the funds in the designated account and replenishment thereof will be deposited in the Designated Account (DA) to be opened and maintained at the Da Afghanistan Bank (DaB). The DA will be operated by the Special Disbursement Unit



(SDU) in the Treasury Department of MoF. Requests for payments from the DA will be made to the SDU by PSU (MoF) when needed. In addition to payments out of DA, the SDU at the request of the PSU (MoF) can request the Bank for i) direct payments from the Grant Account to consultants, consulting firms or suppliers, and ii) special commitments for contracts covered by letters of credit. These payments will follow World Bank procedures.

193 All project payments will be made either by check or directly paid into the bank accounts of the international/local firms. Expenditures for each component will be paid after relevant approvals from the component implementing entity and in accordance with the approval mechanisms documented in the project's FM Manual.

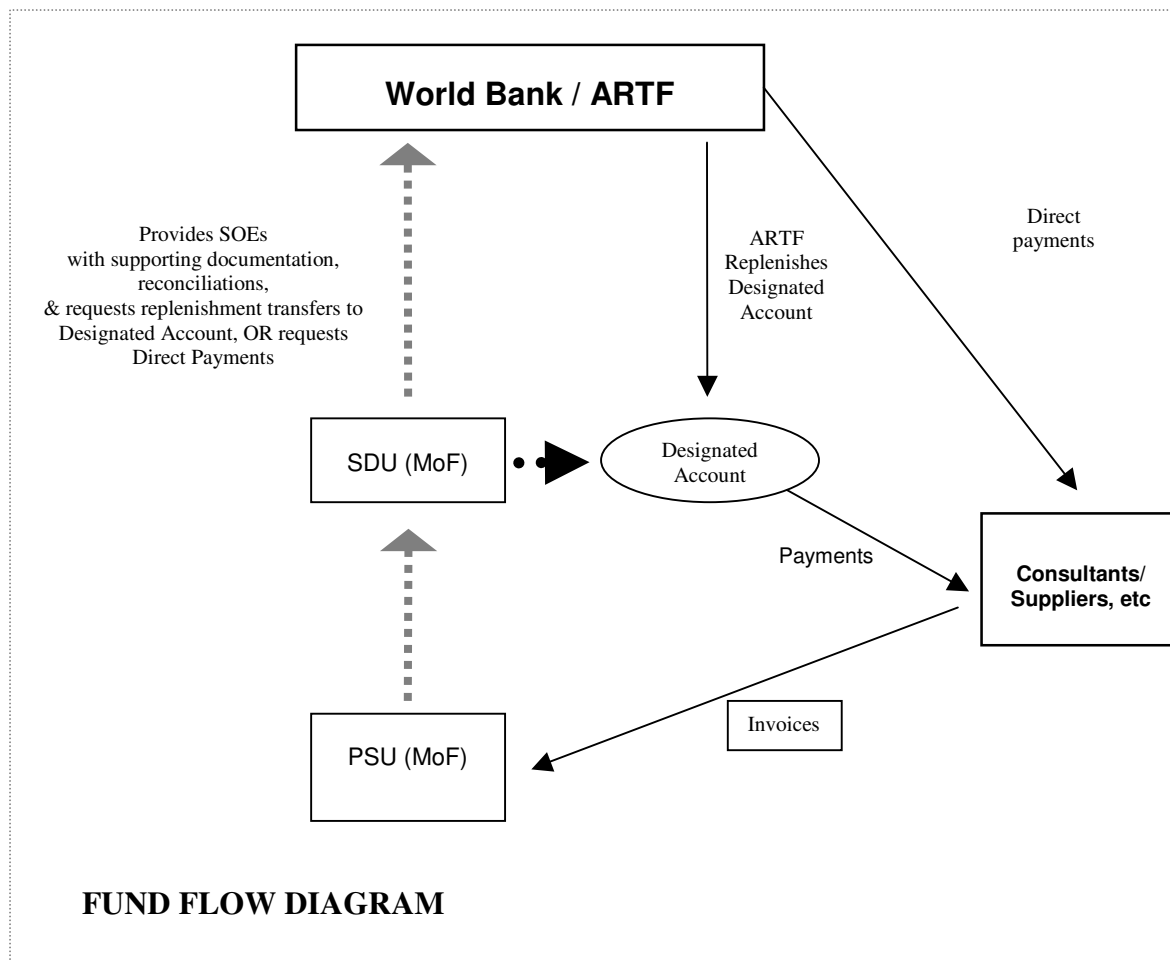
194 The PSU at IARCSC will send authorized payment requests to PSU (MoF) and it will be processed there and all documentation will be maintained in PSU (MoF) as well.

195 Payments will be based on the approved performance agreement i.e memorandum of understanding (MOU) for line ministries. The payment requests (M16) will be prepared and submitted by the PSU (MoF), based on the submission of payment forms and documents, duly authorised by the designated representative of the relevant line ministry. Release of payments under the first tranche, where necessary, will be made on finalisation of the terms of the performance agreement. Release of funds against subsequent tranches will be dependent on the achievement of performance milestones stated in the agreement and submission of financial and physical progress reports to PSU (MoF) as of that date. Where it is observed that the recipient has utilized the funds to finance activities other than those stated in the approved work plans, these would be considered as ineligible expenditures and the amounts would need to be refunded to the project.

196 Cash advances may be taken from the DA, and held and managed by PSU (MoF) to meet operating expenses. The PSU's (MoF) controls, accounting, and preparation of SOEs was assessed and found satisfactory. New cash advances will only be made when all other prior cash advances have been justified through submission of SOEs to the SDU.

197 Retroactive financing: The project is eligible for retroactive financing up to US\$2 million for eligible project expenditures incurred for (i) the procurement of TA and operating costs for the two PSUs; and (ii) Management Capacity Program (MCP) components, including the salaries of existing MCP staff after 14<sup>th</sup> September 2011 and up to the signing of the Grant Agreement, in accordance with the Bank's procurement guidelines.

## **FUNDS FLOW CHART**



## Accounting

198 Overall project accounts will be maintained centrally in SDU, which will be ultimately responsible for recording all project expenditures and receipts in the Government's accounting system. The SDU will maintain a proper accounting system of all expenditures incurred along with original supporting documents to enable ARTF as well the Auditor General to verify these expenditures. The FM Adviser in the MoF/ SDU will use the government's computerized accounting system, AFMIS, for reporting, generating relevant financial statements, and exercising controls.

199 The FM staff of the PSU (MoF) and the Finance and Administration department of MoF will: i) supervise preparation of supporting documents for expenditures, ii) prepare payment orders (Form M-16), iii) obtain approval for M-16s from the relevant authority depending on the payment amount, and iv) submit them to the SDU for verification and payment. Whilst original copies of required supporting documents are attached to the Form M16, the project will maintain photocopies of these documents for records retention purposes. Reconciliation of project expenditure records with SDU records will be carried out monthly by the PSU (MoF) Finance department. In addition, The FM Adviser in the MoF/SDU will use the

government's computerized accounting system, AFMIS, for reporting, generating relevant financial statements, and exercising controls. The FM Directorate staff will maintain essential project transaction records using accounting system and spreadsheets and generate required monthly, quarterly, and annual reports.

200 *Preparation of withdrawal applications:* PSU (MoF) will prepare Summary Reports and forward those reports to the SDU for further processing into withdrawal applications. The SDU will review withdrawal applications for quality and conformity to Treasury procedures, and then obtain signature. Selected PSU and SDU finance staff will be registered as users of the World Bank Web-based Client Connection system, and take an active hand in managing the flow of disbursements.

201 The FM Manual, to be prepared by PSU (MoF) Finance department by February 15, 2012, and to be approved by the Bank, will include: (i) roles and responsibilities for all FM staff, (ii) accounting, documentation and approval procedures for payments, (iii) project reporting requirements, and (iv) quality assurance measures to help ensure that adequate internal controls and procedures are in place and are being followed. The FM Manual will establish project financial management in accordance with standard Afghan government policies and procedures including use of the government Chart of Accounts to record project expenditures. The use of these procedures will enable adequate and timely recording and reporting of project expenditures.

### **Internal Control & Internal Auditing**

202 The PSU (MoF) finance department will be responsible for coordinating FM activities for the project with the SDU. Project-specific internal control procedures for requests and approval of funds will be described in the FM Manual including segregation of duties, documentation reviews, physical asset control, asset verification, and cash handling and management.

203 The project will be subject to review by the internal audit department of MOF. An internal audit consultant will be specifically recruited for this purpose. The internal audit to be conducted by the internal audit consultant will be according to the terms of reference using a risk-based approach. The internal audit will encompass PSU (MoF), PSU (IARCSC) and the participating line ministries.

204 The frequency of the internal audit exercise should be at least every six months. A copy (English version) of each internal audit report should be provided to the World Bank once completed.

205 The Bank also reserves the right to conduct an external review of the project activities and financial flows.

## External Audit

206 The annual project accounts to be prepared by SDU from AFMIS after due reconciliation with records maintained at the PSU (MoF), will form part of the consolidated Afghanistan Government Accounts for all development projects. This is done centrally in the Ministry of Finance Treasury Department, supported by the Financial Management Advisor.

207 Annual project financial statements prepared by SDU – MoF will follow GoA’s chart of accounts and will provide details of activities and components pertaining to the project as separate line items as appropriate. The project financial statement will be audited by the Auditor General, with the support of the Audit Advisor, with terms of reference satisfactory to the Bank. The audit of project accounts will include an assessment of: (a) adequacy of the accounting and internal control systems; (b) ability to maintain adequate documentation for transactions; and (c) eligibility of incurred expenditures for Bank financing. The audited annual project financial statements will be submitted to the Bank within six months of the close of fiscal year. All agencies involved in implementation and maintaining records of expenditures would need to retain these as per the Bank records retention policy.

208 The following audit reports will be monitored each year in the Audit Reports Compliance System (ARCS):

Responsible Agency	Audit	Auditors	Date
MoF	SOE, Project Accounts and Designated Account	Auditor General	Sep 22

209 The Bank-funded projects already or currently being implemented by MoF (PFMR I, PFMR II and SCRTFP) have no overdue audit reports. The key issues raised in the projects’ audit reports have been resolved up to Solar Year 1388.

## Financial Reporting

210 Financial Statements and Project Reports will be used for project monitoring and supervision. Based upon the FM arrangements of this project, Financial Statements and Project Reports will be prepared monthly, quarterly, and annually by PSU (MoF). These reports will be produced based on records from three sources: (i) PSU’s accounting system; (ii) expenditure statements from SDU (as recorded in AFMIS); and (iii) bank statements from DAB.

211 The quarterly Project Interim Unaudited Financial Reports will show: (i) sources and uses of funds by project component, and (ii) expenditures consolidated and compared to governmental budget heads of accounts, the project will forward the relevant details to SDU/DBER with a copy to the Bank within 45 days of the end of each quarter. The government and the Bank have agreed on a pro forma report format for all Bank projects; a final customized format for the CBRP project will be provided before project approval.

## Disbursement Arrangements

212 Table 1 below shows the allocation of ARTF proceeds in a single, simplified expenditure category. The single category for “goods, consultancy services, payment of CBR recruits<sup>11</sup>, training, scholarships and operating costs” is defined in the financing agreement. This project will be 100% financed by ARTF, including taxes.

213 A grace period of six months after the closing date of the project will be allowed for disbursement and/or documenting eligible expenditure incurred on or before the closing date against advances already made. Disbursements procedures will follow the World Bank procedures described in the *World Bank Disbursement Guidelines and the Disbursement Handbook for World Bank Clients (May 2006)*.

**Table 1: Allocation of Grant Proceeds (US\$)**

<u>Expenditure Category</u>	<u>Amount of the Grant Allocations</u>	<u>Financing Percentage</u>
(1) Goods, non-consulting services, consultants’ services, payment of CBR recruits, scholarships <sup>12</sup> , training and workshops and Incremental Operating Costs <sup>13</sup>	350,000,000	100 %
<b>Total</b>	<b>350,000,000</b>	<b>100%</b>

214 **Summary reports.** Summary reports in the form of Statements of Expenditure will be used for expenditures against contracts for i) goods valued at less than US\$200,000 equivalent per contract; ii) consulting firm valued at less than US\$100,000 equivalent per contract; and iii) individual consultants valued at less than US\$50,000 equivalent per contract; payment of CBR recruits, scholarships, all training programs and operating costs. Payments for contracts against goods and consulting services above the aforementioned respective thresholds will require full documentation and the use of form Summary Sheet.

## Financial Management Covenants

215 MoF shall submit audited financial statements for the project within six months of the end of each fiscal year. The Project’s audit report will cover the financial statements, the

<sup>11</sup> CBR recruits are defined as (a) the SMGs and management interns who are on a contract with government, the salaries for whom are funded through the project; and (b) common function groups and professional cadres for whom the project funds a market loading rate (i.e., an amount above the civil servant Pay and Grading salary).

<sup>12</sup> “Scholarships” means payment of tuition and related costs for interns who have been selected in accordance with the procedures and criteria set forth in the Operations Manual.

<sup>13</sup> Incremental Operating Costs refers to project-related incremental expenses incurred on account of project implementation support and management including the rental of office space; the operation, maintenance, rental and insurance of vehicles; fuel; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; domestic travel and per diem but excluding salaries of officials and staff of the Recipient's civil service.

Designated Account, and SOEs, in accordance with terms of reference agreed with the Association.

216 Un-audited project interim financial reports will be submitted by PSU (MoF) on a quarterly basis to the World Bank and a copy to SDU-MoF within 45 days after the end of each quarter.

217 *Special financial management covenant.* The component implementing entities will ensure that key FM staff is retained throughout the duration of the project in order to ensure smooth project implementation.

### **Supervision Plan**

218 During project implementation, the Bank will supervise the project's financial management arrangements. The team will:

- Review the project's quarterly un-audited interim financial reports as well as the project's annual audited financial statements and auditor's management letter.
- Review the project's financial management and disbursement arrangements (including a review of a sample of SOEs and movements on the Designated Account and bank reconciliations) to ensure compliance with the Bank's minimum requirements.
- Review agency's performance in managing project funds to ensure that it is timely, accurate, and accountable. Review Internal Audit reports. Particular supervision emphasis will be placed on asset management and supplies.
- Review of financial management risk rating, compliance with all covenants, and follow up on the action plan.

### **Conclusion**

219 The FM arrangements, including the systems, processes, procedures, and staffing are adequate to support this project - subject to implementation of the items listed in the action plan.

## **ANNEX 6: PROCUREMENT ARRANGEMENTS**

### **AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

#### **COUNTRY STRATEGY**

220 The Bank has gained substantial experience and understanding of the procurement environment in Afghanistan through its involvement in the interim procurement arrangements put in place under the Emergency Public Administration Project (2002) and though working with the institutions currently responsible for procurement functions, including the Afghanistan Reconstruction and Development Services. As part of the broader review of Afghanistan's Public Finance Management (PFM) system, the Bank carried out two assessments, in June 2005 and September 2007, of the procurement environment in the country based on baseline and performance indicators developed by a group of institutions led by the World Bank and OECD/DAC.

221 The first key issue identified through the procurement assessments was lack of ownership and lack of a procurement champion in the Government, which is a serious impediment to reform and to inter-ministerial dialogue. A second, related issue is the lack of capacity in the line ministries, as evidenced by their inability to define and communicate effectively their desired functional specifications/terms of reference in their procurements. The lack of capacity is also evident in the local private sector while the number of bids is reasonably high, there is a lack of understanding about how to apply public procurement rules.

#### **Government Reforms**

222 A new Procurement Law (PL) was adopted in November 2005 that radically transforms the legal and regulatory framework. In accordance with the law, GOA established a Procurement Policy Unit (PPU) under the Ministry of Finance to provide oversight for the PL's implementation. PPU has issued several circulars regarding implementation of the PL including "Rules of Procedures for Public Procurement" (Circular: PPU/C005/1386 of April 12, 2007) and "Procurement Appeal and Review Mechanism" (Circular: PPU/N001/1385 of March 18, 2007). PPU and MOF have developed several standard bidding documents (SBDs), standard requests for proposal (SRFPs), standard requests for quotation (RFQs) for national and international procurement of goods/works and consulting services following national procedures as per the PL's Glossary of Procurement Terms in English and Dari. MOF has now mandated the use of: (i) SBDs for Goods and Works (Circular PPU/C024/1388 of June 10, 2009); (ii) SRFPs (Circular PP/C026/1388); and (iii) RFQs (Circular PPU/C029/1388 of January 13, 2010). A Procurement Management Information System (PMIS) has been developed and is being piloted in three line ministries. In addition, a PPU Web site will facilitate publication of procurement notices and contract awards in

addition to similar action being done under the ARDS-Web site and the Web sites of the line ministries, as applicable.

223 In the absence of adequate capacity to manage procurement activities effectively, a central procurement facilitation unit (ARDS-PU) has been established under Ministry of Economy to support line ministries and project implementing agencies. The Bank and the Government have agreed on a program for country-wide procurement reform and capacity building, leading to the transition from centralized to decentralized procurement services. The above was implemented by an international consultant under the supervision of PPU/MOF and financed under the Public Administration Capacity Building Project (PACBP) and the Public Finance Management Reform Project (PFMRP). The consultant has conducted several basic, intermediate, and advanced level training programs. The implementation of the procurement reform component of the PACBP/PFMRP should be considered with due priority to ensure that fiduciary standards are further enhanced and that capacity is developed in the Government to maintain these standards.

224 The Procurement Law has been revised in July 2008 and amended in January 2009 and issued as a new Law by the Ministry of Justice and was published in the Official Gazette Number 957, 29.10.1387 (18 January 2009). The revised “Rules of Procedures for Public Procurement” have been issued as circular PPU/C027/1387 of November 18, 2009.

#### **GENERAL PROCUREMENT FOR CBR**

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

#### **Procurement of Works**

226 There are no civil works envisaged under the project.

#### **Selection of Consultants**



227 The proposed grant would finance several consultancy assignments for both firms and individuals.

228 *Firms:* The following consulting firms will be hired under the project: HR firm to recruit the Senior Management Group and management interns, Performance Monitoring Firm, Survey Firm and also a logistics support and supply firm to provide support for consultants hired under all project components and to procure items for the MoF CBR Facility PSU and IARCSC CBR PSU. Other consulting firms as envisaged required for project implementation will be employed. All TORs for firms shall be reviewed by the Bank.

229 *Individual consultants:* A substantial number of individual consultants will be hired under the project. The individual consultants are mostly comprised of following disciplines: the MoF CBR Facility PSU, IARCSC CBR PSU, IARCSC consultants, and consultants to assist line ministries in preparation and implementation of CBRPs. MoF CBR Facility PSU will be responsible for recruiting, hiring, and managing these individual consultants for all the components. The Senior Management Group and management interns are not included in the Procurement Plan and will not be subject to prior review.

230 Short lists of consultants for services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. The selection methods and processes applicable for consultants are QCBS, QBS, CQS, LCS, FBS, and SSS for firms, and the provision of Consultant Guidelines 3.15 for selection of UN Agencies; and for individuals as per Section V of the Bank's Guidelines. The threshold for CQS will be less than US\$200,000 equivalent per contract. The Procurement Plan shall set forth the specific procurement method depending upon the circumstances and the threshold.

### **Procurement of Goods and Non Consulting Services**

231 The Project will finance procurement of goods and non-consulting services for the PSU and IARCSC. This will include computer equipment for the PSU and IARCSC as well as the Senior Management Group and management interns at the line ministries.

232 Procurement of the goods will be done using Bank's SBD for Goods for all contracts following International Competitive Bidding (ICB) procedures. National SBDs agreed with IDA, or satisfactory to IDA, will be used for the procurement of goods following National Competitive Bidding (NCB) procedures. Shopping shall be in accordance with paragraph 3.5 of the Bank's Guidelines. Any contract estimated costing more than US\$200,000 shall be procured following ICB procedures. Any contract estimated to cost more than US\$50,000 equivalent and less than US\$200,000 shall be procured following NCB procedures. Any contract estimated to cost less than US\$50,000 equivalent shall be procured following

shopping procedures. Goods that meet the requirements of paragraph 3.6 of the World Bank Procurement Guidelines may be procured following direct contracting procedures with prior agreement with IDA. The Procurement Plan shall set forth the specific procurement method depending upon the circumstances and the threshold.

## **Operating Costs**

233 The cost which would be financed by the project would be procured using the implementing agency's administrative procedures, which will be reviewed by the Bank to determine if they are acceptable. The operating costs will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumable, fuel, office utilities and supplies, Bank charges, and advertising expenses, training fees for individuals with prior agreement with the World Bank for professional development.

## **ASSESSMENT OF THE AGENCY'S CAPACITY TO IMPLEMENT PROCUREMENT**

234 MoF will have the overall responsibility for all procurement under the project. An assessment of the capacity of MoF to implement procurement actions for the project has been carried out. The assessment reviewed the organizational structure of the implementation of the project.

235 The preliminary procurement capacity assessment reveals that the MoF does not have sufficient capacity to handle procurement under the project. Therefore, the procurement risk is "High".

236 To mitigate the risk the following measures are under process by MoF. MoF will hire the services of a competent international procurement consultant hired from market (having hands on experience of public procurement rules as well as procurement rules of the donor agencies). Also for large value contracts, ARDS will assist MoF to ensure procurement compliance, as and when required. In addition, the following procurement practices will apply for the duration of the project: (a) implementing agencies' officials / staff to be alerted about any fraud and corruption issues; (b) bidders to be alerted from adopting fraud and corruption practices; (c) award contracts within the initial bid validity period, and closely monitor the timing; (d) take action against the corrupt bidder in accordance with law of the Government of Afghanistan; (e) preserve records and all documents regarding public procurement, in accordance with the PL provisions; (g) publish contract award information in UNDB online, ARDS's website and agencies' websites within two weeks of contract award;

(h) ensure timely payments to the suppliers/contractors/ consultants and impose liquidated damages for delayed completion and, (i) enforce a procurement filing system.

## **PROCUREMENT PLAN**

237 The Borrower, at appraisal, developed a Procurement Plan for Project implementation that provides the basis for the procurement methods. This plan has been agreed between the client and the IDA Task Team on November 20, 2011 and is available at the MoF offices. It will also be available in the Project's database and on the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity.

238 The procurement plan has outlined the contract package of goods, consultants (individual/firm), and none consultant services. Other individuals (operation staff) who are not consultants will not be part of the procurement plan. Those individuals will be hired in line with the Operation Manual which will be developed by the project and be agreed by the Bank. All contracts not prior reviewed by the Bank will be subjected to Post Review as per the provisions of the Procurement and Consultant Guidelines of the Bank.

## **FREQUENCY OF PROCUREMENT SUPERVISION**

239 In addition to the prior review supervision shall be carried out from Bank offices. There will be two Implementation Support Missions per annum.

240 **Procurement Audit.** In addition to prior review, Bank staff or Bank appointed consultant shall carryout post procurement audit once per annum.

## **PROCUREMENT PLAN**

### **General**

#### Project Information:

- **Country/Borrower:** Islamic Republic of Afghanistan
- **Project Name:** Afghanistan Capacity Building for Results
- Implementing Agency: Ministry of Finance
- Grant No: XXXX
- Bank's approval Date of the Procurement Plan [Original:] November 20, 2011

- Date of General Procurement Notice: October 29, 2011
- Period covered by this procurement plan: 5 years
- A. Goods and Works and Non-Consulting Services

A. List of contract Packages that will be procured following ICB, NCB and direct contracting:

**PROCUREMENT METHOD AND THRESHOLD**

	<b>Procurement Method</b>	<b>Threshold for Methods (US\$)</b>	<b>Comment</b>
1.	ICB (Goods)	200,000	Equivalent or more
2.	NCB (Goods)	200,000	Equivalent or less
3.	Shopping (Goods )	50,000	Equivalent or less
4.	ICB (Non-Consultant Services)	200,000	Equivalent or more

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

	<b>Procurement Method</b>	<b>Prior Review Threshold in USD</b>	<b>Comments</b>
1.	ICB (Goods and non consulting services)	All Contracts	
2.	NCB (Goods and Non consultancy)	200,000	First three contracts regardless of value and all other Equivalent or less USD 200,000 per contract
3.	Shopping (Goods and Non consultancy)	50,000	Equivalent or less
4.	Direct Contracting (Goods)	All regardless of value	

Prequalification. NIL

Reference to any Operational/Procurement Manual: The Project will develop an Operations Manual where Procurement Manual will be part of Operations Manual.

**Procurement Packages with Methods and Time Schedule**

Goods, Works and Non Consulting Services:

**Procurement Packages with Methods and Time Schedule**

<b>Procurement Plan for Goods Contract</b>									
Sl. No	Contract Package Number	Contract Description	Estimated Price in US\$ '000 (Actual Contract Price in Contract Currency)	Procedure/ Method	PQ (Yes / No)	Prior Review <sup>2</sup> (Yes / No)	Domestic Preference (Yes / No)	Planned Date of Bid Opening (Actual Date of Bid Opening)	Remarks
1	2	3	6	7	8	9		10	15
<b>MoF CBR FACILITY PSU</b>									
	G-01	IT equipment and installation for PSU and MoF (laptops, printers)	30	Shopping	No	No	No	1/1/2012	
	G-02	IT systems for PSU		Shopping	No	No	No	1/1/2012	
	G-03	Office furniture for PSU (chairs, desks, tables)	10	Shopping	No	No	No	12/15/2011	
	G-04	Copiers for PSU	10	Shopping	No	No	No	12/15/2011	
	G-05	Purchase of small goods for renovation to rehab office space for PSU (carpets, paint, air conditioning/heat units)	50	Shopping	No	No	No	12/15/2011	
<b>IARCSC AND IARCSC CBR PSU</b>									
	G-06	IT equipment (laptops, printers) for CSC, SMGs, interns	60	NCB	Yes	No	No	3/15/2012	
	G-07	Copiers for CSC and ACSI	10	NCB	No	No	No	3/15/2012	

G-8	Purchase of small goods for renovation to rehab office space for PSU (carpets, paint, air conditioning/heat units) for ACSI	50	Shopping	No	No	No	6/1/2012	
G-9	IT equipment (laptops, printer, IT systems) for CSC, SMGs, interns	60	NCB	Yes	No	No	3/15/2013	
G-10	IT equipment (laptops, printer, IT systems) for CSC, SMGs, interns	60	NCB	Yes	No	No	3/15/2014	

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Afghanistan Procurement Law  
Bank Guideline for Procurement  
Please refer "Threshold" tab for determining packages under prior review.

## Selection of Consultants

### *Selection Methods and Thresholds*

	Selection Method	Threshold	Comments
1.	CQS for Firms	US\$ 200,000 equivalent or less	
2.	QCBS,QBS, FBS, LCS	depending on the nature and complexity of assignment	

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

	Selection Method	Prior Review Threshold	Comments
1.	Competitive Methods (Firms)	\$100,000 or more	
2.	Competitive methods (individuals)*	\$50,000 or more	
3	Single Source (Firms)/Individuals	All regardless of value	

\*The above prior review applies for individual consultant to be hired by the project for PSUs and other national/international individual consultants. The above prior threshold does not apply for Senior Management Group staff and Management Interns to be hired for different ministries through a consultancy firm

**Short list comprising entirely national consultants:** Short list of consultants for services, estimated to cost less than US\$100,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

### Consultancy Assignments with Selection Methods and Time Schedule<sup>14</sup>

Procurement Plan for Services Contract							
Sl. No.	Contract Package Number	Contract Description	Estimated Price in US\$ '000 (Actual Contract Price in Contract Currency)	Selection Method	Prior Review <sup>2</sup> (Yes / No)	Planned Date of Proposals Submission (Actual Date of Proposals Submission)	Remarks
	2	3	6	7	9	10	15
<b>MoF CBR FACILITY PSU AND IARCSC CBR PSU</b>							
	IC-01	CBR Facility PSU Manager	384	IC	Yes	1/1/2012	
	IC-02	CBR Facility Deputy PSU Manager	275	IC	Yes	1/1/2012	
	IC-03	IARCSC PSU Manager	275	IC	Yes	1/15/2012	
	IC-04	CBR Facility Advisor to PSU Manager	1019	IC	Yes	12/30/2011	
	IC-05	CBR Facility PSU Project Admin Assistant	180	IC	Yes	1/15/2012	
	IC-06	CBR Facility PSU Project Admin Assistant	177	IC	Yes	1/15/2012	
	IC-07	CBR Facility PSU Communications/information management specialist	232	IC	Yes	2/1/2012	
	IC-08	CBR Facility Team leader/coordinator for firms (logistics support/supply firm and headhunter firm)	500	IC	Yes	1/1/2012	
	IC-09	CBR Facility Recruitment Specialist (short-term)	72	IC	Yes	1/15/2012	
	IC-10	CBR Facility PSU Procurement Specialist	637	IC	Yes	1/1/2012	
	IC-11	CBR Facility PSU Procurement Assistant	177	IC	Yes	1/1/2012	
	IC-12	CBR Facility PSU Procurement Assistant	144	IC	Yes	1/1/2012	
	IC-13	CBR Facility PSU Financial Management Specialist	512	IC	Yes	12/30/2011	
	IC-14	CBR Facility PSU Financial Management Assistant	177	IC	Yes	1/1/2012	

<sup>14</sup> Estimated amounts are for the 5-year life of the project.



IC-15	CBR Facility PSU Financial Management Assistant	144	IC	Yes	10/15/2012	
IC-16	CBR Facility PSU Internal Audit Specialist	512	IC	Yes	3/15/2012	
IC-17	IARCSC PSU Project Officer for CSC components	613	IC	Yes	1/1/2012	
IC-18	IARCSC PSU FM advisor for CSC	236	IC	Yes	1/1/2012	
IC-19	IARCSC PSU Communications/Reporting Officer	232	IC	Yes	3/15/2012	
IC-20	IARCSC PSU Assistant	174	IC	Yes	1/15/2012	
IC-21	CBR Facility PSU Organizational Reform Specialist	875	IC	Yes	1/15/2012	
IC-22	CBR Facility PSU Change Management Specialist	625	IC	Yes	1/15/2012	
IC-23	CBR Facility PSU Civil Service Specialist (civil service reform)	858	IC	Yes	1/15/2012	
IC-24	CBR Facility PSU Civil Service Specialist (business process simplification)	613	IC	Yes	1/15/2012	
IC-25	CBR Facility PSU Fiscal Specialist (intermittent)	48	IC	Yes	8/1/2012	
IC-26	CBR Facility PSU Monitoring and Evaluation Specialist	920	IC	Yes	1/15/2012	
IC-27	CBR Facility PSU Monitoring and Evaluation Assistant	174	IC	Yes	1/15/2012	
IC-28	CBR Facility PSU Monitoring and Evaluation expert (intermittent)	177	IC	Yes	4/15/2012	
IC-29	CBR Facility PSU Monitoring and Evaluation expert (intermittent)	126	IC	Yes	4/15/2012	
IC-30	CBR Facility PSU results advisors (intermittent to help line ministries at the start, appraisal, implementation phases)	88	IC	Yes	1/15/2012	

	IC-31	CBR Facility PSU results advisors (intermittent to help line ministries at the start, appraisal, implementation phases)	88	IC	Yes	1/15/2012	
	IC-32	Logistics Support/Supply Firm (based at CBR Facility to provide logistics/support for all international and regional consultants, procure supplies for the PSUs)	2000	QCBS	Yes	30/12/2011	
<b>IARCSC</b>							
	IC-33	IARCSC Monitoring and Evaluation Adviser	822	IC	Yes	1/30/2012	
	IC-34	IARCSC Monitoring and Evaluation Assistant	224	IC	Yes	1/30/2012	
	IC-35	IARCSC Pay and Grading Adviser	958	IC	Yes	1/30/2012	
	IC-36	IARCSC Organizational and development specialist (international) not full time	480	IC	Yes	3/1/2012	
	IC-37	IARCSC Pay and Grading Assistant	174	IC	Yes	1/15/2012	
	IC-38	HR Adviser	324	IC	Yes	2/1/2012	
	IC-39	HR Assistant for appointments board	174	IC	Yes	1/30/2012	
	IC-40	HR Assistant for appeals board	174	IC	Yes	1/30/2012	
	IC-41	Advisor to IARCSC Chairman	638	IC	Yes	1/15/2012	
	IC-42	CSMD Policy Adviser	851	IC	Yes	1/30/2012	
	IC-43	CSMD Legal Advisor	720	IC	Yes	2/1/2012	
	IC-44	CSMD HR Advisor	232	IC	Yes	1/15/2012	
	IC-45	CSMD HR Advisor	232	IC	Yes	1/15/2012	
	IC-46	CSMD Technical Advisor	385	IC	Yes	3/1/2012	
	IC-47	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	
	IC-48	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	
	IC-49	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	
	IC-50	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	

IC-51	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	
IC-52	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	
IC-53	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/15/2012	
IC-54	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/27/2012	
IC-55	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/27/2012	
IC-56	Training specialists for Senior Management Group (SMG)	228	IC	Yes	2/27/2012	
IC-57	Training specialists for SMG	80	IC	Yes	4/1/2012	
IC-58	Training specialists for SMG	80	IC	Yes	4/1/2012	
IC-59	Training specialists for SMG	80	IC	Yes	4/1/2012	
IC-60	SMG trainers from training institutes	88	IC	Yes	4/1/2012	
IC-61	SMG trainers from training institutes	88	IC	Yes	4/1/2012	
IC-62	SMG trainers from training institutes	20	IC	Yes	4/1/2012	
IC-63	SMG trainers from training institutes	20	IC	Yes	4/1/2012	
IC-64	Coordinator of training program for common function civil servants	232	IC	Yes	1/15/2012	
IC-65	Training specialist for common function civil servants	156	IC	Yes	2/1/2012	
IC-66	Training specialist for common function civil servants	228	IC	Yes	2/15/2012	
IC-67	Training specialist for common function civil servants	228	IC	Yes	2/15/2012	
IC-68	Training specialist for common function civil servants	228	IC	Yes	2/15/2012	
IC-69	Training specialist for common function civil servants	228	IC	Yes	2/15/2012	
IC-70	Training specialist for common function civil servants	228	IC	Yes	2/15/2012	

IC-71	ACSI M&E specialist	75	IC	Yes	2/15/2012	
IC-72	ACSI M&E specialist for training, impact	418	IC	Yes	2/15/2012	
IC-73	ACSI M&E expert	228	IC	Yes	2/15/2012	
IC-74	Management intern coordinator	232	IC	Yes	1/15/2012	
IC-75	Management intern admin assistant	171	IC	Yes	2/15/2012	
IC-76	Intern trainer	156	IC	Yes	4/1/2012	
IC-77	Intern trainer	228	IC	Yes	2/15/2012	
IC-78	Intern trainer	228	IC	Yes	2/15/2012	
IC-79	Sub-national Adviser	232	IC	Yes	1/15/2012	
IC-81	Sub-national Adviser	232	IC	Yes	1/15/2012	
IC-82	Sub-national Adviser	228	IC	Yes	2/15/2012	
IC-83	Sub-national Adviser	228	IC	Yes	2/15/2012	
IC-84	Sub-national Adviser	228	IC	Yes	2/15/2012	
IC-85	Government Pay Commissioner	144	IC	Yes	10/1/2012	
IC-86	Government Pay Commissioner	144	IC	Yes	10/1/2012	
IC-87	Government Pay Commission Administrative Assistant	108	IC	Yes	10/1/2012	
IC-88	Government Pay Commission Pay and Grading expert	159	IC	Yes	10/1/2012	
IC-89	Pay Specialist	126	IC	Yes	10/1/2012	
IC-90	Pay Specialist	126	IC	Yes	10/1/2012	
IC-91	SMG recruitment specialist short term	108	IC	Yes	12/30/2011	
IC-92	SMG recruitment specialist short term	48	IC	No	12/15/2011	
IC-93	SMG recruitment specialist short term	48	IC	No	1/1/2012	
IC-94	HR Firm (for SMG and management interns)	11800	QCBS	Yes	3/1/2011	
<b>Line Ministries</b>						
IC-95	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	2/1/2012	
IC-96	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	5/1/2012	

IC-97	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	5/1/2012	
IC-98	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2012	
IC-99	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2012	
IC-100	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2012	
IC-101	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2013	
IC-102	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2013	
IC-103	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2013	
IC-104	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2014	
IC-105	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2014	
IC-106	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2014	
IC-107	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2015	
IC-108	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2015	

IC-109	Line Ministry Adviser/Coordinator for CBRP preparation	67	IC	Yes	11/1/2015	
IC-110	Line Ministry reform specific specialist for CBRP implementation	757	IC	Yes	2/15/2012	
IC-111	Line Ministry reform specific specialist for CBRP implementation	757	IC	Yes	2/15/2012	
IC-112	Line Ministry reform specific specialist for CBRP implementation	704	IC	Yes	10/31/2012	
IC-113	Line Ministry reform specific specialist for CBRP implementation	704	IC	Yes	10/31/2012	
IC-114	Line Ministry reform specific specialist for CBRP implementation	528	IC	Yes	10/31/2013	
IC-115	Line Ministry reform specific specialist for CBRP implementation	528	IC	Yes	10/31/2013	
IC-116	Line Ministry reform specific specialist for CBRP implementation	352	IC	Yes	10/31/2014	
IC-117	Line Ministry reform specific specialist for CBRP implementation	352	IC	Yes	10/31/2014	
IC-118	Line Ministry reform specific specialist for CBRP implementation	176	IC	Yes	10/31/2015	
IC-119	Line Ministry reform specific specialist for CBRP implementation	176	IC	Yes	10/31/2015	
IC-120	Line Ministry reform specific specialist for CBRP implementation (short-term)	165	IC	Yes	3/31/2012	

	IC-121	Line Ministry reform specific specialist for CBRP implementation (short-term)	165	IC	Yes	3/31/2012	
	IC-122	Line Ministry reform specific specialist for CBRP implementation (short-term)	132	IC	Yes	3/31/2013	
	IC-123	Line Ministry reform specific specialist for CBRP implementation (short-term)	132	IC	Yes	3/31/2013	
	IC-124	Line Ministry reform specific specialist for CBRP implementation (short-term)	99	IC	Yes	3/31/2014	
	IC-125	Line Ministry reform specific specialist for CBRP implementation (short-term)	99	IC	Yes	3/31/2014	
	IC-126	Line Ministry reform specific specialist for CBRP implementation (short-term)	66	IC	Yes	3/31/2015	
	IC-127	Line Ministry reform specific specialist for CBRP implementation (short-term)	66	IC	Yes	3/31/2015	
	IC-128	Line Ministry reform specific specialist for CBRP implementation (short-term)	33	IC	Yes	3/31/2016	
	IC-129	Line Ministry reform specific specialist for CBRP implementation (short-term)	33	IC	Yes	3/31/2016	
<b>Misc</b>							
	S-01	Performance Monitoring Firm	1060	QCBS	Yes	6/1/2012	
	S-02	Survey Firm	924	QCBS	Yes	6/1/2012	

Note: CBR Facility PSU here refers to the MoF based PSU, and IARCSC PSU refers to the IARCSC based CBR PSU

Agreed Procedures for National Competitive Bidding:

- I. Standard bidding documents approved by the Association shall be used.
- II. Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
- III. Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- IV. Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- V. Foreign bidders shall not be precluded from bidding.
- VI. Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
- VII. Bidders may deliver bids, at their option, either in person or by courier service or by mail.
- VIII. All bidders shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form shall apply only to a specific bid.
- IX. Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.



- X. Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Association.
- XI. Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
- XII. Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
- XIII. Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
- XIV. Extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than four (4) weeks, and (B) for all subsequent requests for extensions irrespective of the period in case of prior review.
- XV. Negotiations shall not be allowed with the lowest evaluated or any other bidders.
- XVI. Re-bidding shall not be carried out without the Association's prior concurrence; in case of prior review and
- XVII. All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.



## **ANNEX 7: IMPLEMENTATION AND MONITORING ARRANGEMENTS**

### **AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

#### **PROJECT IMPLEMENTATION ARRANGEMENTS**

242 *Project Oversight:* The Ministry of Finance will assume overall responsibility for the project. A project Steering Committee (SC), comprised of the Finance Minister and IARCSC Chairman, will a) provide oversight and strategic guidance to the project, reviewing implementation progress and working to resolve implementation bottlenecks; b) assess and approve the CBRP proposals and Requests to Proceed, and approve the composition of the Advisory Groups; and c) report regularly to the President and Cabinet. Cabinet will receive CBRPs for information, as well as quarterly reports, bi-annual assessments and the annual performance monitoring report of the project.

243 A MoF-based CBR Facility PSU will act as the coordinator for the Facility. Since key components will be implemented by the IARCSC, including civil service training, an IARCSC CBR PSU will be established. An Advisory Group, including MoF, IARCSC, OAA, Ministry of Economy, and technical experts, will be established upon the request of a line ministry to assist in the development of CBRPs, coordinated through the IARCSC. A small group of experts, convened through the MoF CBR Facility PSU, will formally review applications to develop CBRPs, and another group will assess the completed CBRPs and make a recommendation to the SC in advance of funding. A quarterly technical-level donor meeting will review CBRP progress. This structure is described in Figure 1 with CBRPs implemented by the recipient line ministries, each governed under their own management structure (including their own ministerial oversight).

#### **SPECIFIC IMPLEMENTATION ARRANGEMENTS**

244 *Steering Committee:* This Committee, comprised of the Minister of Finance and the IARCSC Chairman, will provide oversight to the project, review implementation progress and work to provide guidance and resolve implementation bottlenecks where they arise. It will assess and approve the CBRP proposals, including those that involve graduation of a ministry from one tier to the next, as well as Requests to Proceed. It will confirm the composition of ministry-specific Advisory Groups and appoint the coordinator for such groups. It will report on CBR implementation to the President and Cabinet on a regular basis.

245 *President and Cabinet:* As a pre-condition for consideration as a Tier 1 ministry, a ministry's strategic plan will need to have been endorsed by a relevant subcommittee of Cabinet. A line ministry may also consider discussing the plan with stakeholders and civil society. After CBRPs are approved by the Steering Committee, the Steering Committee will meet with the President and the relevant line minister for signature of the proposal, including

its performance indicators. After signature, the CBRP will be presented to Cabinet for information. The Steering Committee will report on CBR implementation to the President every quarter, with the President or Steering Committee presenting to Cabinet the quarterly report, a bi-annual assessment and annual independent performance monitoring report. The President will approve performance awards for a line ministry, which would be funded by government resources, and inform Cabinet.

246 *MoF CBR Facility Project Support Unit:* This PSU will be located in the MoF under the supervision of the Deputy Minister for Finance and Director General for Budget. It will be responsible for project management and administration (e.g., project budget, financial management and procurement), assistance in the assessment of proposals, and project monitoring and evaluation against the results framework and oversight. The budget for the CBR Facility will be managed by the MoF CBR Facility PSU in the MoF. The annual budget for the project will be developed in consultation with the IARCSC CBR PSU and line ministries with approved CBRPs and approved by the Steering Committee on advice of the MoF CBR Facility PSU. Through the project, the MoF CBR Facility PSU will receive funding to procure consultants on behalf of participating line ministries and IARCSC. The MoF CBR Facility PSU will centrally review and oversee the decision on payment of salaries to management, professional and common function staff consistent with civil service laws. It shall also oversee payment of performance awards for participating ministry units. The MoF CBR Facility PSU will recruit, hire, and manage the numerous consultants specified in the line ministry CBRPs, for the IARCSC, and for the two PSUs. The MoF CBR Facility PSU will be established before the facility is operational through retroactive financing from MoF.

247 *IARCSC CBR Project Support Unit:* Given the IARCSC's responsibility for Components 2 and 3, IARCSC will manage its own PSU reporting to the IARCSC Chairman on a functional basis and the SC at a higher level. The IARCSC CBR PSU will have a manager, a project officer, a financial management advisor, a communication and reporting officer, a PSU assistant, and additional positions as needed. The IARCSC CBR PSU will have a ring-fenced budget to implement its CBR components in line with its mandate. In terms of CBRP implementation, IARCSC is responsible for the civil service and public administration areas related to the project which include: civil service reform and human resources management; recruitment of civil servants; training and capacity development of civil servants; and other functions outlined in its statutes and relevant laws. Key positions for the IARCSC CBR PSU can also be established through the retroactive financing from MoF.

248 *Human Resources and Logistics Firms:* A specialized HR recruitment and management firm will be hired by the MoF CBR Facility PSU to support the IARCSC to manage the larger volume of recruitment and contract administration required to implement the Senior Management Group (SMG) and the management internship sub-component of the project. The MoF CBR Facility PSU will also hire a logistics support and supply firm to handle logistics support for all international and regional consultants and to procure supplies for the two PSUs.

249 *Operations Committee:* An Operations Committee, comprised of the MoF Director General for Budget and the managers of IARCSC CBR PSU and MoF CBR Facility PSU, will meet on an as needed basis to coordinate CBR implementation.

250 *Advisory Group:* Relevant technical staff from different ministries or agencies will come together as an Advisory Group supporting the development of the CBRP, which is anticipated to be an iterative process over several months for most ministries, providing feedback and guidance to help a ministry refine its CBRP. The composition of this Advisory Group will vary depending upon the line ministry's CBRP. The Advisory Group will be coordinated through the IARCSC in consultation with the respective line ministry. The composition and chair of this group would then be confirmed by the Steering Committee. The line ministry-specific group, which will be retained as needed throughout the life of the project to assist a ministry, will also provide reports to the MoF CBR Facility PSU.

251 *Expert Groups:* A small group of experts will be convened through the MoF CBR Facility PSU, and the SC will be informed of the composition. There will be two stages in which expert groups will be engaged. First, to ensure the quality of a line ministry's CBRP at entry, the MoF CBR Facility PSU will hire sector experts or use World Bank experts to conduct an initial review of the proposal before the advisory group is formed. These experts will focus on relevance (is the proposal aligned with the ministry's core mandate); results focus (does the proposal have measurable and monitorable results framework); cost effectiveness (are the capacity building activities sufficiently prioritized and constitute the least cost approach); realism (are the goals and results benchmarks realistic and achievable); and implementation and accountability arrangements. These experts will also put forward recommendations to improve the quality of line ministry capacity building proposals before the Advisory Group begins its work. Second, after the CBRP is developed and following the Advisory Group's work, a small group of experts will formally assess the CBRPs and make a recommendation to the SC in advance of funding.

252 *Internal Audit:* The Internal Audit of the project will be done by the Internal Audit Department of the Ministry of Finance where an International TA provided by the Project, will support the internal audit of the project and also build the capacity of the Internal Audit Department.

## **MONITORING AND EVALUATION**

253 The program has established an overall results framework, presented in Annex 2. The MoF CBR Facility PSU will monitor and report on the achievement of these strategic objectives annually in the context of an annual independent performance monitoring report, and a mid-term review (conducted after about 24 months of actual implementation). Third party reviewers would be engaged to participate in these reviews. A survey firm would be engaged to assist with the development of quality mechanisms for monitoring and evaluation of ministry results.

- 254 The MoF CBR Facility PSU and IARCSC CBR PSU will jointly produce a quarterly assessment of project implementation and a more detailed bi-annual assessment measuring progress based upon pre-agreed ministry performance indicators, both of which will be presented to the Steering Committee. For this work, the approved CBRPs will require that line ministries form substantial assessment teams to feed into a CBR ministry's reporting.
- 255 The Steering Committee will make a presentation to the President every quarter to update him on progress, and he will also receive an annual independent performance monitoring report. The President or the Steering Committee will present each of these reports to Cabinet.
- 256 A Quarterly Donors' Technical-Level Meeting will review project progress and implementation bottlenecks. They will receive quarterly, bi-annual, and annual reports on the facility. This group will be comprised of key development partners and contributing donors, the World Bank, ministries undertaking reforms, MoF, IARCSC, and other representatives, as appropriate. The intention is to include a relevant constituent or civil society representation at this level in the oversight process to develop stakeholder interest and support.
- 257 Standard World Bank internal project reviews and supervision missions will be conducted by Bank staff, per Bank rules, to ensure regular assessment of project performance. Large contributing donors will be invited to participate in bi-annual Bank supervision missions.

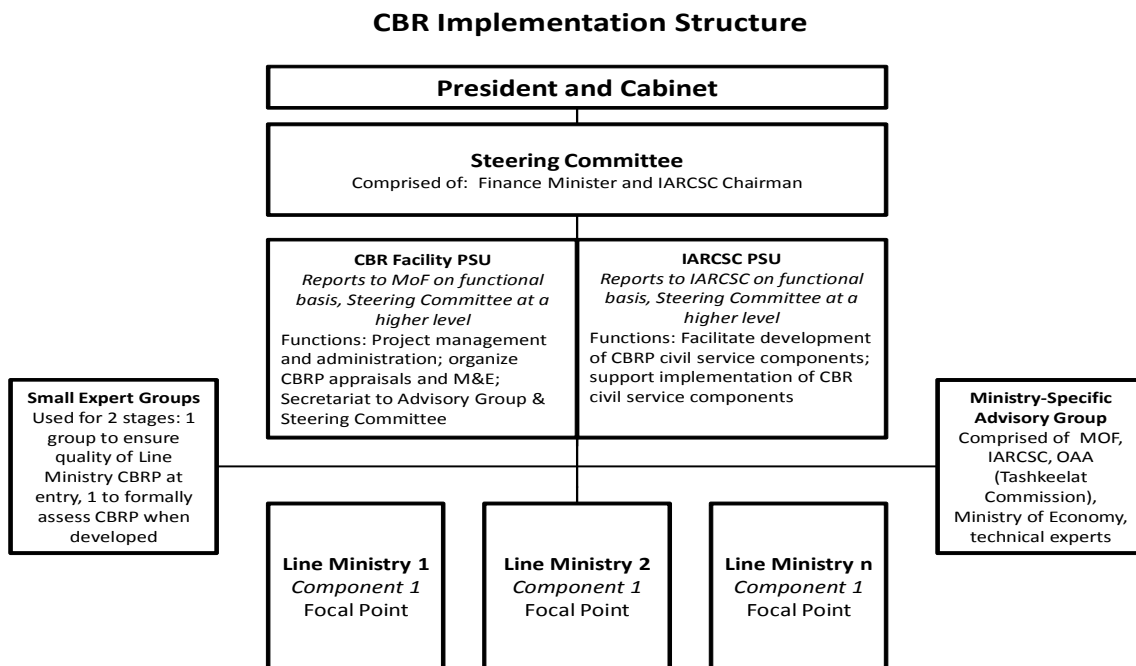


Figure 1: CBR Implementation Structure

**ROLE OF PARTNERS**

258 The project has been identified and is being prepared due to the confluence of demand from a range of stakeholders and programs. CBR has been developed through intensive discussions with several line ministries which provided valuable input. Officials of MoF and IARCSC have played a central role in defining the scope of activities included in this project.

259 The project has been developed through intensive consultations with stakeholders and partners. The World Bank has been coordinating efforts with other international partners such as DFID, EU, USAID, AusAID, and JICA, as well as informing the broader ARTF donor group.

**ANNEX 8: PROJECT PREPARATION AND APPRAISAL TEAM MEMBERS**

**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

<b>NAME</b>	<b>TITLE / FUNCTION</b>
<b><i>Governance and Public Sector</i></b>	
Satyendra Prasad	Task Team Leader, SASGP
Richard Hogg	Governance Adviser, SASGP
Anne Tully	Senior Operations Advisor
Gretchen Biery	Consultant (Governance Specialist)
Samina Bhatia	Consultant (Governance and Capacity Analyst)
Richard Bontjer	Consultant (Organizational Development Specialist)
Kaushik Sarkar	Consultant (Public Sector Analyst)
Gary Reid	Consultant (Public Sector Management Specialist)
Robert Crown	Consultant (operational guidance)
<b><i>Financial Management and disbursements</i></b>	
Paul Sisk	Lead Financial Management Specialist, SARFM
Kenneth Okpara (until Sept 2011)	Senior Financial Specialist, SARFM
Ramola Bhuyan (from Sept 2011)	Senior Financial Management Specialist, SARFM
Zohra Farooq	Financial Management Consultant, SARFM
Chau-Ching Shen	Senior Finance Officer, CTRLN
<b><i>Procurement</i></b>	
Asif Ali	Senior Procurement Specialist, SARPS
Toufiq Ahmed	Procurement Specialist, SARPS
Rahimullah Wardak	Procurement Specialist, SARPS
Deepal Fernando (until July 2011)	Senior Procurement Specialist, SARPS
<b><i>Legal</i></b>	
Martin Serrano (until Sept 2011)	Senior Counsel, LEGMS
Hanneke Van Tilburg	Senior Counsel, LEGMS
<b><i>External Relations</i></b>	
Abdul Raouf Zia	Senior Communications Officer (EXT)
<b><i>Team Support</i></b>	
Parwana Nasiri	Team Assistant, SASFP, Kabul
Edreess Sahak	Team Assistant, SASGP, Kabul
Jyoti Sriram	Team Assistant, SASGP, New Delhi
<b><i>Peer Reviewers</i></b>	
Graham Teskey	WB – PREM
Nick Manning	WB – PREM
Vivek Srivastava	WB – PREM
Mark Robinson	DFID – London
<b><i>Advisory/Reference Group</i></b>	
Joel Hellman (SM until Aug 2011)	WB - OPCFN
Ranjana Mukherjee	WB – PREM
Sebastian Eckardt	WB – PREM
Peter Evans	DFID – Delhi



**ANNEX 9: FISCAL ANALYSIS**  
**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

260 The section considers benefits, costs and risk associated with the project and discusses the benefits that are likely to accrue.

**BACKGROUND AND METHODOLOGY**

261 The economic and financial analysis is informed by the joint World Bank/GoA Transition in Afghanistan: Looking Beyond 2014 report, currently being finalized. The key findings of this study which will be concluded in time for the Bonn International Conference on Afghanistan include that aid flows in Afghanistan are likely to decline following the drawdown of international forces in 2014. Transition will also have implications for the Government's operating budget as the recurrent costs of assets created through bilateral programs are brought onto the budget progressively, in what are known as the transition provinces. The development budget will be impacted as more donor resources are expected to be transferred on-budget, while at the same time a reduction in total international technical assistance is expected, including in development programs created through military investments. These will affect line ministry responsibilities in transition provinces in the short term.

262 CBR's fiscal implications are assessed against the Transition Report's base case scenario which projects a financing gap of around 25% of GDP in 2021-22 given a set of expenditure and domestic revenue assumptions.<sup>15</sup> The civil service wage bill including CBR is costed against these growth and revenue projections taking into account security, O&M and other recurrent expenditures created through the external budget that will transfer progressively to the government budget up to 2021, working on a scenario of a gradual decline in aid. Underlying this is the need for government to be able to absorb and manage increasing amounts of donor funding provided through the Afghan budget, rather than funded and implemented externally. This requires improved capacity to manage and effectively utilize these funds.

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<sup>15</sup> The Transition Report considers a number of fiscal scenarios and considers possible policy responses. The base scenario assumes a gradual decline in aid (10 per cent of GDP by 2025), with an improving investment climate. Other scenarios consider different rates of decline in aid and assumptions around growth in agriculture, mining and productivity. The fiscal impacts of the CBR facility are assessed only against the more realistic base case scenario. It is not assessed against the other scenarios used in the study, as the fiscal scenarios are driven by changes in assumptions on aid, security, development spending and economic variables. Recognising that CBR project expenditure reaches a maximum of around 0.25% of GDP, it does not have a significant impact in terms of alternative scenarios.

263 The efficiency of public institutions significantly affects growth, macroeconomic stability, security and especially the government's ability to reduce poverty. Institutional quality affects poverty reduction outcomes. To realize these benefits requires a long-term commitment to reform and development of management capacity in the civil service. A longer-term time frame is even more important in context such as Afghanistan where capacity was severely eroded through decades of war; and where security and fragility affects pace of institutional development reforms.

264 A cost benefit perspective will suggest that improved sub-national capacities that have a clear budget execution focus will allow for a better management of assets that are being transferred to the government during the transition phase. Improved operation and maintenance budgeting capabilities for line ministries in such provinces will be a clear benefit from the proposed intervention. Given the nature of the investment, it is not possible to quantify the benefits that will arise, other than provide estimates of the effectiveness and productivity of the administration in general terms. Further, given the absence of statistical information on productivity of the Afghan public sector, there is no baseline on which to make assessments of potential incremental economic impacts. Consequently a quantitative Cost Benefit Analysis (CBA) is not appropriate. This would also overlook the central function of the project, in creating a facility to finance the development of institutional capacity to design and implement reforms. Following the establishment of the facility, line ministries will develop specific reform plans that will determine which ministerial reforms are pursued and monitored. Consequently, this section focuses on the benefits and costs that will arise from the program and associated risks.

## **Benefits**

265 Drawing on the experience of the predecessor Management Capacity Project, a range of benefits will arise through the project. It is important to recognize that many of the identified benefits flow from improved management capacity to implement reform programs as a driving element of a civil service reform program. As discussed above, many of the important benefits will not be immediate but will be achieved in the medium-long term. However, the sequenced approach, targeting ministries that demonstrate an ability to manage such a reform program, should expedite the delivery of results. Key identified benefits include:

- (i) Improvements in public service delivery over time, through increased capacity across management of targeted Ministries (the specific quantum on improvements will depend on ministries accepted as Tier 1 ministries);
- (ii) Increased revenue generation (and therefore improved fiscal sustainability) through increased efficiency and specialized skills of specific ministries in ministries such as the Ministry of Mines (such as increased income from natural resource royalties);
- (iii) Improved visibility of government, through enhanced capacity at local levels of government;
- (iv) Improved capacity of government to deliver services will improve community perceptions – which in turn will impact on stability and security, and thus the investment environment;

- (v) Improved stability in the capacity of Government enabling departments and ministries to have a stable policy environment;
- (vi) Greater cohesion of salaries policy, through reduced fragmentation of the civil service labor market allowing for greater predictability in wage and salaries costs; and
- (vii) Improvements in financial and managerial capabilities and enhanced credibility of the budget as a management tool will give confidence to donors to move resources on budget.

## **Costs**

266 The primary cost drivers of the project are:

- (i) Higher investments in civil service salaries, supported by a coherent salary framework; and
- (ii) Some international TA, brought within a government owned framework.

## **Risks**

267 The project represents a major program of reform. The primary risk is financing beyond project completion, currently envisaged for five years. The fiscal sustainability of the project needs to be considered in the broader Afghan context and current government efforts to develop a fiscally sustainable budget. This is discussed further in the section below.

268 Conversely, a key risk could arise should the project not proceed. This would lead to a loss of skilled managers from Government and/or further fragmentation of the labor market through donors funding individual consultants in the absence of a structured salary scale.

269 Finally, a risk arises from ministries failing to develop a reform strategy, or alternatively not being effective in utilizing the supplied resources to deliver the agreed reforms. To manage these risks the project will include a detailed review and ongoing monitoring of the reform program. The tiered approach to provision of resources will favor those ministries who are both reform oriented and have the commitment to effectively implement the agreed reform program.

## **FISCAL CONTEXT AND SUSTAINABILITY**

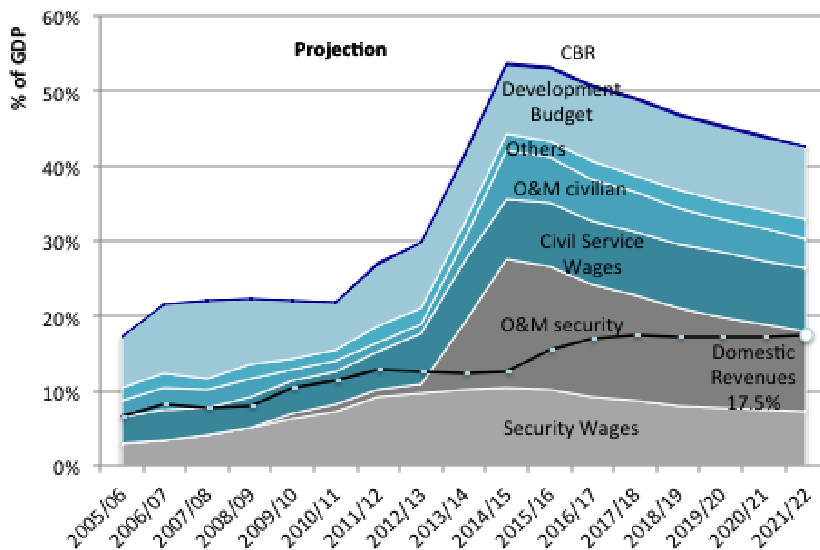
270 The Government of Afghanistan's Budget Statement states the main objective of the Government's fiscal strategy over the medium term is to ensure that domestic revenues are adequate enough to finance its operating budget. Even in the best-case scenario fiscal sustainability is unlikely in the medium term.

271 Graph 1 illustrates a base case fiscal scenario. Under this scenario domestic revenues are projected to increase from 10% to 17.5% of GDP by 2021-22, driven primarily by mining revenues. Over the same period operating spending on security will increase significantly:

- Security: wage bill to increase from 7 to 10% of GDP (by 2015-16) to reach 352,000 troops and O&M from 1 to 10.5% (\$ 3.5 billion annually in 2011 prices); and
- Non-security: civil service wage bill to increase from 5 to 9% of GDP and O&M spending required to sustain donor capital investments from 1 to 4% (\$1.3 billion)

272 Combined, operating expenditures will be twice the size of domestic revenues by 2021-2022.

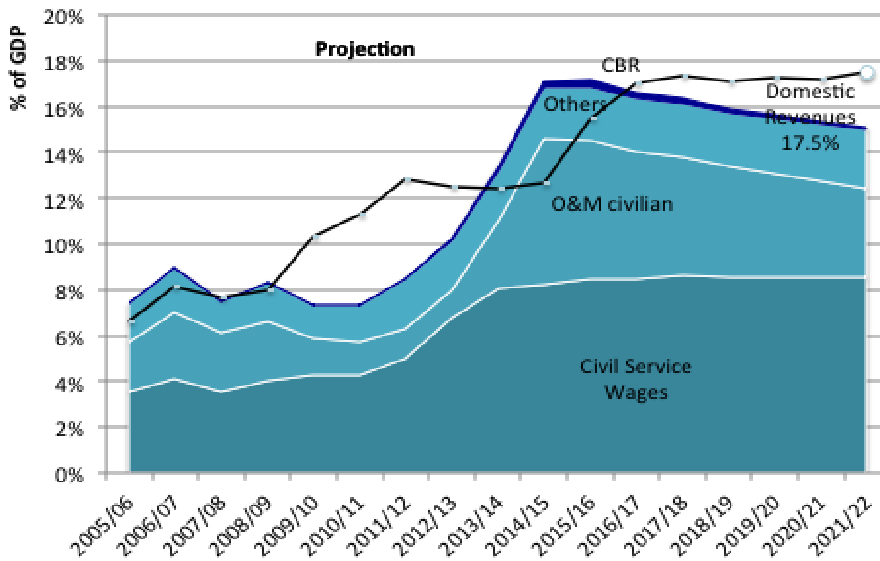
Graph 1: Total Budget Expenditure and Revenue Projections (%GDP)



273 In this broader fiscal context the CBR facility is not fiscally significant, representing a maximum of 0.25% of GDP in 2015/16, then diminishing to around 0.1% of GDP in 2021/22

assuming the ongoing CBR-related salary payments of approximately \$60 million per annum are maintained. The key medium-term fiscal issues relate to the rate of increase in security wage and O&M expenditure and associated donor financing scenarios. With this in mind, any consideration of fiscal sustainability needs to recognize that the government will not be able to take on all of the transition related fiscal costs to the budget by the end of year five of the program.

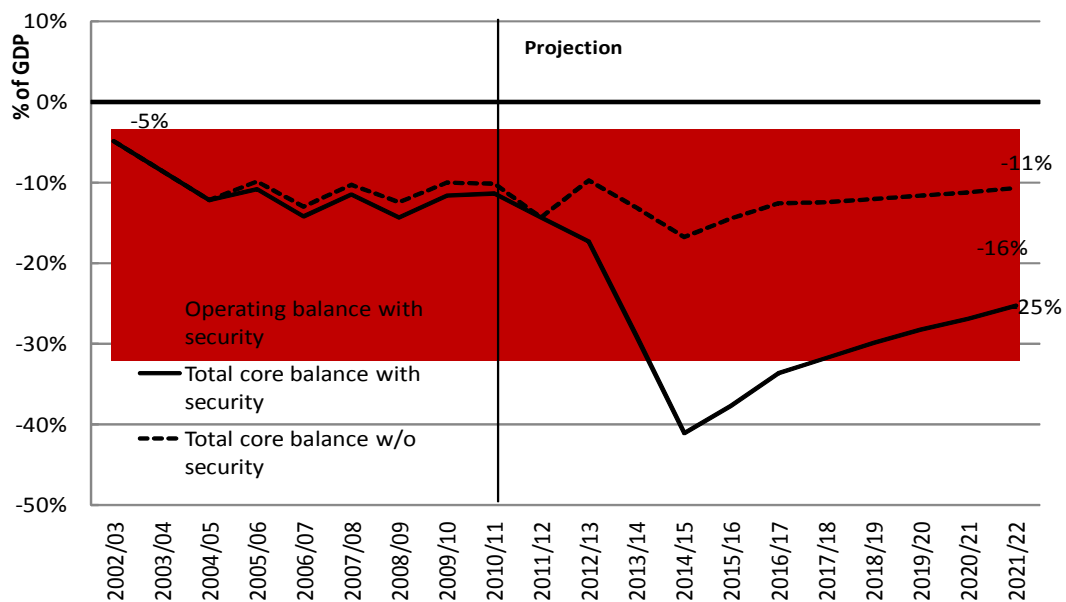
**274** It is important to consider the marginal contribution of the CBR facility in the context of non-security related fiscal sustainability. Graph 2 illustrates that by 2016/17, domestic revenues will exceed total non-security operating expenditures. While this is not a meaningful measure of fiscal sustainability, it does serve to highlight that security and development related expenditures dominate any consideration of fiscal sustainability in the medium term for Afghanistan.



Graph 2: Operating Budget Expenditure and Revenue Projections - Excluding Security (%GDP)

**275** The marginal fiscal impact of the CBR is also important in consideration of financing scenarios. Graph 3 illustrates three financing views of the budget, under the same base case fiscal scenario. Total aid level of 26% of GDP would bridge the financing gap including security related expenditures. While aid could finance any combination of these

expenditures, the options would need to focus on the extent to which the Government of Afghanistan (GoA) funds existing and new expenditures and how donor assistance can be phased down over time. While the CBR project is relatively small at a maximum of around 0.25% of GDP, it does need to be considered in terms of donor financing approaches. Note that the operating balance refers to the operating component of the Afghan budget. The core balance includes both the operating balance plus donor development funds channelled through the core budget.



Graph 3: Financing Gap with & without Security (in % of GDP, excluding grants)

276 Accordingly, sustainability of the program should be assessed as its impact in creating a more effective, institutionalized civil service that is able to attract and retain skilled staff in the labor market conditions of the day. A key part of the program is to create pressure for wage stability in the market that is dominated by demand for labor by international donor organizations and International Security Assistance Force (ISAF). It is expected that the impact of the program, combined with agreement on a common approach to the labor market by donors, will facilitate labor market stability over the next few years. Further, the expected reduction in overall donor funding over time and reduction in US and ISAF forces will dampen current wage pressures. Overall, this will better enable the planned salary commission to set reasonable wage rates for civil servants and plan for improved fiscal sustainability with clear and realistic targets by the end of year three.

277 The current labor market conditions in Afghanistan are distorted by the unusually higher wages offered by the donor community to attract and retain skilled personnel to work on their projects and programs. A primary objective of the CBR is to create positive incentives for civil service staff by providing them with competitive wages, thereby building capacity of the line ministries and other agencies for better service delivery and governance.

## CONCLUSIONS

278 Overall, the assessment can be summarized as follows:

- (i) The benefits of this investment are longer term through enhancement of core Government management capabilities in key investment, growth, employment generation and service delivery ministries;
- (ii) The impacts are broad and across a range of sectors and will ultimately impact on growth, macroeconomic stability, security and especially the national ability to reduce poverty;
- (iii) The benefits are also political – the failure of government to fulfill social contracts fuels militancy; improved delivery of government services may have some impact on arresting that trend;
- (iv) Government needs a game changing approach to capacity to drive and sustain critical reforms - its experience thus far suggests that where reforms were largely driven by donors and/or have been sustained by contracted-in managerial staff they have been much less successful;
- (v) Viewed against this context, the fiscal costs of the project are therefore not prohibitive, but necessary and essential for institutional sustainability; and
- (vi) The costs of not proceeding with the project are potentially considerably higher due to:
  - a. Perpetuation of the current fragmented and inflated approach to salaries;
  - b. In many cases, lack of cohesion between engagement of consultants and a structured reform program;
  - c. The risk of the government reform program stalling with loss of skilled capacity; and
  - d. Opportunity cost of improved delivery of government services and progress towards the social contract between the government and community, which in turn can reduce the levels of insecurity over time.

**ANNEX 10: GOVERNANCE AND ACCOUNTABILITY ACTION PLAN**  
**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

**GOVERNANCE CONTEXT**

279 Establishing good governance is proving to be extremely difficult – While there have been some encouraging developments such as the passing of the anti-corruption law, the ratification of the United Nations Convention Against Corruption (UNCAC) and the establishment of the High Office of Oversight (HOO) for Anti-Corruption, the overall progress in improving governance and fighting corruption has been limited. Corruption in Afghanistan has become more widespread and systemic over the course of the last few years. In 2005, Afghanistan ranked 117 out of 159 countries covered in Transparency International’s Corruption Perception Index; by 2009 its rank had dropped to 179 out of 180 countries, while by 2010 its rank had risen to 176 out of 178 countries<sup>16</sup>. Available survey evidence and other information show that a majority of Afghans view the payment of bribes to be a necessity in order to obtain services from the government<sup>17</sup>. Corruption is commonly perceived to have become more organized and entrenched, involving networks at all levels with those at the top reaping large rewards.

280 The predominance of the opium economy with its powerful criminal networks and its nexus with the ongoing insurgency has made drug-related corruption one of the major challenges. Addressing governance issues is further made more difficult by the central government’s limited sphere of influence over parts of the country and the persistence of the insurgency. Corruption undermines the Government's legitimacy, while the challenges of the rule of law, in turn, undermine the ability to fight corruption.

281 There has been some progress in improving governance and addressing corruption, although limited in nature. Encouraging signs are the passage of the anti-corruption law, the ratification of the United Nations Convention Against Corruption (UNCAC) and the establishment of the High Office of Oversight (HOO) in 2009, and the confirmation of the membership of the International Monitoring and Evaluation Committee (IMEC). It is too early to assess the impact of these recent developments. A clear division of responsibilities, a prioritized, resourced and fully owned strategy to address corruption is still lacking nevertheless.

282 The broader institutional context remains weak and political economy pressures upon public officials are significant. The neo-patrimonial aspects of the state are integral to the

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<sup>16</sup> Transparency International: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010](http://www.transparency.org/policy_research/surveys_indices/cpi/2010)

<sup>17</sup> See “Fighting Corruption in Afghanistan – Summaries of Vulnerabilities to Corruption Assessment,” World Bank, June 2009



structure and operations of the civil service, and patronage affects civil service recruitment. Compounding these is the continued practice of recruitment of large numbers of national technical advisers who carry out routine civil service functions and who are not necessarily accountable to the Government. This diverse patrimonial system is further complicated by donors who have proliferated approaches to training and capacity building. A World Bank commissioned study notes that ‘elite’ attachment to the rules of administration remained weak and uneven. The institutionalization of the rules of public administration faces many barriers. The state lacks a clear sense of demarcation between political and administrative staff, with the civil service lacking its own independent top-tier of leadership. Although the Government has examined various options to clarify the rules, clear policy decisions have not been taken to demarcate responsibilities and functions. The guardian of civil service ethics and rules, the Independent Administrative Reform and Civil Service Commission (IARCSC), is in need of strengthening. Major attempts to reform these systems have to some degree been prompted by international initiatives, such as the London and Kabul conferences and also the introduction of a formal Civil Service Code to provide a stronger benchmarking of formal rules.

283 The period since 2001 has seen the creation of a complex and largely financially unsustainable civil service apparatus. The civil service as a whole is characterized by significant instability induced through short term project financed recruitment. The design of the CBR will provide some stability to line ministries while at the same time promoting entry-point improvements. The program is intended to be an institutional ‘sustainability’ initiative which at the minimum will enable ministries to focus on sustainability issues over a medium term time frame. Stability is essential to sustainability. The Afghanistan civil service has been impacted by the high turnover of advisers, senior staff and policy makers, contributing to a lack of policy continuity. In some cases, Government policy may be influenced by short term advisers who could have an interest in continued dependency on external capacity.

#### **POLITICAL ECONOMY RISKS FACING CAPACITY BUILDING FOR RESULTS PROJECT**

284 Given these considerations, the proposed project faces nine major types of risk that must be addressed in its design and supervision. The nine major risk groupings are:

- 284.3 Biased recruitment and selection of staff
- 284.4 Unethical behavior in the civil service
- 284.5 Politicization of CBR Project funding allocations
- 284.6 Misuse of project funds
- 284.7 Inter-cadre competition
- 284.8 Central agency cooperation
- 284.9 Weak service delivery accountability
- 284.10 Limited impacts of technical assistance
- 284.11 Pay setting risks

## Biased recruitment and selection of staff

285 A 2008 World Bank report identifies pressure for political appointments as a serious issue<sup>18</sup>. Moreover, a 2007 assessment of vulnerabilities to corruption identified inadequate or poorly respected, and unevenly applied procedures in Afghanistan's civil service appointments processes as one of its key HRM challenges, identifying the following specific examples of such challenges:

- “Lack of discussion of job selection criteria between line ministries and the Independent Appointments Board (IAB), leading to unclear selection criteria;
- “Poor quality (or lack) of job descriptions due to inadequate preparation by the ministries, which are unclear about their basic missions and their actual needs.
- “Deliberately distorted selection criteria and requirements, emphasizing for instance administrative experience and knowledge of detailed administrative procedures over judgment in order to favor incumbents and exclude outsiders;
- “Lack of proper advertisement or late advertisement, either for logistical reasons or as a deliberate attempt to limit the number of applicants and favor incumbents, although the IAB has made progress by mobilizing six regional offices;
- “Lack of proper reference checks leading to selection of candidates with dubious records and even possibly criminal records; and
- “Cases of ministries completely bypassing the civil service law procedures to get direct approval by the President of appointments of senior personnel without any involvement of IARCSC and IAB.”<sup>19</sup>

286 Progress has certainly been made in the last three to four years<sup>20</sup> on many of these challenges, but for many of them, further progress is still needed. The pay and grading exercise, for instance, has improved job descriptions, though not uniformly, and more work is needed to fully address this weakness, both within and across ministries. Third party oversight of the civil service recruitment process commenced in late 2010 and is beginning to demonstrate some positive results.

287 Within the CBR project, the most serious version of this risk will be in the recruitment and selection of members of the Senior Management Group (SMG), given their pivotal role in meeting project aspirations for improved service delivery performance, as well as improved functioning of management support systems (i.e., common functions). For that

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<sup>18</sup> Fighting Corruption In Afghanistan – World Bank Note Prepared for ARTF Meeting, Paris June 2008

<sup>19</sup> *Fighting Corruption in Afghanistan: Summaries of Vulnerabilities to Corruption Assessments* (The World Bank: 2009), “Merit-Based Appointments in the Civil Service”, chapter 5, p. 60.

<sup>20</sup> While the report from which the above challenges have been drawn (previous footnote) was published in 2009, the underlying studies on which that report relied for its information were undertaken in 2007-8: “Assessment of Progress Made in the Implementation of Merit-Based Appointments in the Afghan Civil Service” (The World Bank: 2007), and “Update on the Implementation of the IAB’s Action Plan”, which was undertaken by the World Bank in close collaboration with the Independent Administrative Reform and Civil Service Commission (IARCSC) and the Independent Appointments Board (IAB).

group there are at least three distinct sources of a risk of biased recruitment and selection into the SMG ranks:

- 287.3 Posts may be purchased
- 287.4 Political and other pressures upon recruitment
- 287.5 Security risks undermine SMG attractiveness

288 Risk 1: Purchasing of posts: Given the relatively attractive salaries to be provided to SMG staff, coupled with evidence of existing position-purchasing practices, there is some risk of offers of money in exchange for receiving an SMG appointment. To address this risk, the project includes one main additional feature to reinforce the Government's procedures for open merit based recruitment:

288.3 An independent HR firm will be employed to manage the initial stages of the recruitment and selection process. Responsibilities will include: (i) to ensure that adequate job descriptions, which make clear key qualifications for candidates, exist before a position is advertised; (ii) ensure broad coverage and timely advertising for all recruitment competitions; and (iii) screen all candidates in order to compile the short list, based on their qualifications relative to those identified in the job listing. Their screening responsibilities will include not only reviewing submitted materials (e.g., CV, letters of recommendations, etc.), but also undertaking due diligence to ensure the reliability of the information contained therein. This is designed to serve three key purposes: (i) ensure quality of process in shortlisting and oversight processes of Ministerial appointments; (ii) resolve the short-term capacity limitation issues of line ministries, who will require support to process the quantity of new posts generated through the CBRP development process, and (iii) build capacity of government counterparts to take on these HR processes in the long term.

289 Risk 2: Political and other pressures upon appointment decisions: Selection committees may be subject to intense pressure to select particular candidates. Accordingly, the project includes the following measures to mitigate this risk:

289.3 HR Firm: The HR Firm will lead on the process of short-listing candidates for the Senior Management Group, thereby significantly reducing opportunities for less qualified candidates being selected due to political pressures.

289.4 Support to Independent Appeals Board: The project will provide support to the Independent Appeals Board, aimed at, *inter alia*, strengthening its capacity to hear and adjudicate challenges to recruitment and selection processes in a timely and fair fashion.

290 Risk 3: Security risks undermine SMG attractiveness: Given the significant security risks throughout Afghanistan, coupled with the large variance in those risks across posting

locations, it will not be surprising if it proves difficult to attract qualified candidates for many of the riskier postings. Accordingly, the project includes the following mitigation measure:

290.3 *Posting rotations*: The project will assist the government to explore the possibility of developing a system for ensuring SMG staff rotation. The aim would be to agree a staff rotation policy that creates strong incentives for SMG staff to rotate through some of the higher risk postings. Such incentives could include increased priority for promotions when an SMG has served at least one rotation (with some minimum period specified) in a “high risk” posting.

290.4 *Hardship allowances*: The project will finance hardship allowances for postings in remote and dangerous locations, although their magnitudes will be modest, so as not to seriously distort the pay structure.

### **Unethical behavior in the civil service**

291 Unprofessional behavior or corrupt practices, particularly among the Senior Management Group (SMG), could compromise project objectives. Fortunately, there already exists an income and asset disclosure requirement for all public officials, which is in the early stages of implementation. In addition, a Code of Conduct for Public Servants has been enacted. However, this is currently under review and any amendments will need to be communicated.

292 To address the risk of unethical behavior by civil servants within the beneficiary ministries, the following steps will be taken:

292.3 *Specialized training in professional standards for civil servants*: In collaboration with the Civil Service Training Institute, staff recruited under CBR will receive specialized training designed to build a sense of commitment to public service, and to cultivate a high level of professionalism in this cadre.

292.4 *Increased senior management capacity*: Increased capacity at the senior management level is expected to improve monitoring and implementation of processes and reduce opportunities for petty corruption, with these staff also being subject to more regular performance reviews. Critically, these process improvements are also expected to have an impact at the sub-national level, where participating ministries will be expected to demonstrate increased numbers of high capacity staff through reorganization of the ministries where necessary. Since it is the sub-national structures of government that have the most interaction with citizens, improving standards of professionalism amongst these staff can have a high impact on service delivery quality and perceptions of corruption levels among citizens.

## **Politicization of CBR project funding allocations**

293 Several political economy risks confront the process of deciding which CBR proposals (i.e., which ministries) to fund, and to ensure fairness of this process. This is a risk that must be managed with sensitivity to ensure the credibility of the process is not undermined.

294 Risk mitigation measures that will be taken include:

294.3 Clearance to develop a CBR proposal is based on an independent review: The initial application to proceed to develop the full CBRP will be subject to a review by an independent team of experts that may involve World Bank sector specialists. Where the level of preparedness of the requesting ministry is weak, the Steering Committee will be advised by the team accordingly.

294.4 Proposal evaluations based on technical standards: CBR proposals are required to be evaluated on the basis of technical standards; and the Steering Committee's appraisal is required to confirm that technical specifications have been met before a proposal can be funded.

## **Misuse of project funds**

295 There is a risk that project funds could be misused, as in all projects.

295.3 Bank Processes, Training and Monitoring: For TA (goods and services) financed through the project, the project includes the Bank's financial control requirements (project accounts system, procurement according to World Bank procedures, annual audit of project). This will be supplemented by efforts through the project to support and strengthen the procurement and audit functions of ministries, and to encourage effective monitoring of ministry spending. A parallel World Bank Project, PFMR II, also aims to strengthen financial management and oversight processes of government.

295.4 For financing of salaries, the risk mitigation factors on HRM risks addressed elsewhere in this GAAP will address the risk of misuse of project funds allocated for such financing of salaries.

## **Inter-cadre competition**

296 Asymmetric assistance across various line ministries could result some opposition to the program, since some parties may not feel sufficiently included in it. If this translated into

opposition in Cabinet, this could impede implementation. The following mitigation strategies have been proposed to manage this risk:

296.3 *Ensure that the majority of ministries benefit from the project:* Ministries and agencies not receiving the wider range of support for staffing will be supported to implement Pay and Grading and will be able request director-level SMG positions for common functions.

296.4 *Communicate the benefits and goals of the program effectively:* A clear communication strategy is needed to ensure that the focused priorities of the program and the broader benefits to government institutions are understood by ministers and senior officials.

296.5 *Allow scope for ministries to progress from one tier to another:* Within the fiscal and management capacity constraints of the project, ministries initially eligible for a more limited range of support could demonstrate improvements and become eligible for higher amounts of funding.

### **Central agency cooperation**

297 The project is being led by the Ministry of Finance and the IARCSC. There is a risk that lack of cooperation could cause implementation problems. This risk is being undertaken because of the importance of achieving collaboration between these two important institutions in order to improve service delivery, public administration capacity and performance.

298 In light of this, the project will take the following steps to address the need for MoF-IARCSC cooperation:

298.3 *Continuous ‘soft’ supervision:* The Bank’s task team’s supervision budget will permit and practice continuous “soft” supervision in order to (i) identify problems before they become major bottlenecks to project implementation, and then (ii) facilitate mobilization of resources or assistance aimed at helping to resolve such differences in a timely fashion.

298.4 *Mid-term review governance arrangements reappraisal:* The mid-term review of this project will assess, among other issues, the governance arrangements and reflect upon any significant changes needed in light of project implementation experience to that point.

298.5 *Promoting a culture of ‘joined up’ working between the IARCSC and the MoF:* The project in a variety of ways promotes improved working relations between these agencies, including through the PSUs, mechanisms for coordination between the two PSUs, and the centrality of the Advisory Group where key individuals from the two institutions play the

most important roles in supporting line ministries. In addition, the operating manual will specify clearly the responsibilities and roles of these institutions vis-a-vis implementation.

### **Weak service delivery accountability**

299 Service delivery accountability is considered relatively weak throughout Afghanistan's public administration, which puts at risk targeted service delivery improvements under the CBR project. The CBR's results framework is designed specifically to help address this risk.

300 Through CBR, the service delivery targets that a ministry creates for itself will be linked to one position within the Senior Management Group and be linked to the performance of the staff in that position. The performance of all staff within CBR will be closely monitored by the ministry itself, alongside the IARCSC. The independent HR firm may also be mandated to provide strategic capacity in this area. Since a large number of staff will be posted to provinces through the project, it is expected that monitoring of front-facing services should also improve: Increased pay for these staff should act as an incentive for higher performance and the line ministries themselves will be accountable for ensuring clear monitoring processes for these staff and their outputs.

301 In short, risk mitigation measures for the risk of weak service delivery accountability include:

301.3 Ministry-specific service delivery targets for Tier 1 ministries, which will have been proposed by that ministry itself and included in its CBR Program and for which the Minister is held accountable.

301.4 Service delivery accountability of a single responsible agent within each participating Tier 1 ministry for meeting these service delivery targets; namely, the SMG leading the department relevant to that component of the Ministry's CBR Program.

### **Limited impacts of technical assistance**

302 International and national technical assistance (TA) has proven to have considerably smaller impacts than either donors or the Government have hoped. Technical assistance aimed at building capacity and improving the performance of public entities has proven particularly challenging. Since these are the central objectives of the CBR project, it is obviously important to include design and supervision features aimed at addressing the underlying reasons for the limited effectiveness of typical technical assistance.

303 At least three key factors have contributed to poor impacts of TA in Afghanistan in recent years. First, it has proven difficult to attract top quality international consultants to

Afghanistan due to the security risks. Second, the high salaries paid to international consultants, as well as to externally funded (local) staff (EFS) may have undermined capacity building efforts of those two types of donor-financed TA by creating resentment among other staff whose salaries are dramatically lower. Finally, for various reasons, international consultants have sometimes focused their efforts on doing the work of the recipient agency, rather than on building its own capacity to do that work. Accordingly, the CBR project includes specific features aimed at addressing each of these underlying risks.

304 Risk 1 Poor quality of international TA attracted by the Government: As noted above, security risks make it difficult to attract top quality consultants to provide TA in Afghanistan. Paying yet higher fees to such consultants is one option for addressing this, but those fees are already quite high. Another option is to design TA so that it is delivered on a periodic basis, rather than requiring full-time, in-country consultants. Some international development consultants may be generally easier to attract for assignments that require them to undertake a series of relatively short visits, rather than to commit to an extended period of full-time, in-country work. Moreover, such arrangements are less likely to fall prey to the risk of the consultant doing the work of the client agency, rather than building its capacity to do that work itself (see Risk 3, below). Accordingly, the CBR project includes the following feature to address this risk of failing to attract top quality international TA providers:

304.3 Where possible, consultants will be hired for shorter periods: Finding top quality international consultants to work in an environment with the security risks currently found in Afghanistan is extremely challenging. The project will therefore aim, where possible and appropriate, to bring consultants in for short strategic missions, rather than longer term postings.

305 Risk 2: Negative institutional impact of high salaries of TA: High salaries enjoyed by international technical assistants (ITA), as well as by national TA (NTA) tend to create resentment among regular civil service staff. High salaries of NTA are particularly subject to this risk, since regular civil service staff see them as not all that different from themselves. Such resentment can lead to at least two distinct, counterproductive types of behavior. First, it can undermine the willingness of regular civil service staff to shoulder their normal responsibilities, thereby hampering efforts to improve the performance of the affected organizational unit. Secondly, it can reduce the willingness of regular staff to learn anything from the ITA or NTA, thereby reducing efforts to build sustainable institutional capacity.

306 Mitigation measures included in the project to address these risks include:

306.3 Offer competitive salaries within the civil service: Through the creation of technical, professional and senior management cadres, opportunities to earn competitive salaries within the civil service. This should go some way to closing the gap between salaries within and external to the civil service, reducing resentment and facilitating cooperation.



306.4 Reduce reliance upon of EFS: Another important element of project design is the requirement that numbers of EFS within Tier 1 ministries be reduced progressively thereby reducing distortion to the ministry structure. This should also involve a shift in the role of EFS from being used to substitute for staff in standard line ministry functions, to a more strategic and targeted role in selected positions. Ministries will specify their targets for EFS reduction in their CBRPs.

307 Risk 3: Failure of TA to build capacity: International TA often focus on doing the work of the unit they have been hired to strengthen, rather than improving the capacity of that unit's staff to do that work. This stems from at least two core sources. First, they typically have been contracted with the aim of improving the performance of the agency they are advising and demonstrate tangible outputs during their tenure: This is often easier to achieve in the short term through capacity substitution than through a process of coaching ministerial counterparts. Secondly, both their TOR and the oversight of it often reinforce this natural tendency by pressuring the ITA to show results. National TA often have been hired with the aim of substituting for ministry capacity in project management, rather than capacity transfer.

308 This risk will be addressed primarily by steps aimed at ensuring TA hired through the project focus on building capacity, rather than doing the work of the targeted line ministry organizational unit. By doing so, the consultants providing the TA will be less likely to be seen as doing the same thing as their civil service counterparts, and hence should not elicit as significant a degree of resentment.

309 In light of these considerations, this project will take three steps to address these tendencies, and to focus TA as squarely as possible on building capacity, rather than ensuring immediate improvements in organizational unit performance:

309.3 Capacity-building focused TOR: Specify in TOR for TAs that their task is to impart knowledge and skills to staff (advise, train, mentor), rather than to do the work of those staff.

309.4 Close PSU supervision focused on capacity building: PSU, reinforced by development partners, will closely supervise TA to ensure that it is building capacity, rather than substituting TA for capacity.

309.5 Contract renewal contingent on evidence of capacity building achievements: Make any contractual renewal for TA contingent on their having enhanced knowledge and skills of staff they were originally contracted to advise, train and/or mentor.

## Pay setting risks

310 Two problems related to pay challenge the civil service institutionally. On the one hand, the current pay-scales (both unreformed and P&G) are not able to ensure consistency in competitiveness of remuneration across the job requirements of different positions given the market, thereby making it harder to attract and retain some types qualified staff. On the other hand, exceptionally high levels of donor-financed salaries are undermining efforts to attract and retain the skill sets within the core civil service required to create sustainable domestic capacity in the public sector (see “Limited impacts of technical assistance” section above). While these practices can, in the short term, help to ensure effective implementation of pressing initiatives, these inflated, donor-financed salaries also have various drawbacks:

- (a) They create unrealistic expectations among potential civil service candidates about how much can be earned in the civil service, thereby increasing the difficulty of attracting, retaining and motivating staff at salary levels that the Government can actually afford.
- (b) They create resentment among staff not collecting those artificially inflated salaries, thereby undermining both entity performance and learning by those other staff (i.e., capacity building) from the highly qualified personnel purchased with those inflated salaries (see above).
- (c) They encourage focus on donor funding by ministries and agencies. More specifically, because donors have fallen into a pattern of financing Externally Financed Staff (EFS) and providing salary top-ups, expectations that such donor financing practices will continue have become entrenched, leading to organizational behavior that may focus more on such donor financing than on meeting core ministry mandates.
- (d) They put fiscal sustainability of the wage bill at risk: Civil servants, whose remuneration is less competitive than the highly paid NTA, can be expected to pressure authorities to bring their salaries up to those NTA levels. Given that those levels are not fiscally sustainable for the Government, this presents the Government with the problem of how to resist such pressures, while still attracting and retaining qualified staff.

311 Given these considerations, the project will take the following risk mitigation steps to address the risk of an insufficiently attractive salary structure:

*311.3 Create more competitive salary opportunities for certain key posts:* The project will provide funds to raise the salaries for certain key posts to higher than pay and grading levels, so as to make them more competitive. More specifically, the project will introduce standard pay-scales for all staff recruited into CBR funded posts in Ministries, for the common function and senior management positions. For technical posts, Ministries will propose their own pay-scales which reflect the particular market conditions of that post, subject to

IARCSC and MoF clearance. These pay-scales are being developed in cooperation with the Ministry of Finance and the Civil Service Commission, and alongside the Government's own efforts to regulate the pay of National Technical Assistants through the forthcoming policy recommendation of the NTA Commission. Salary scales created through CBR should complement the work of this Commission, which also seeks to bring some discipline in the overheated market for National Technical Assistance. Through the development of these differentiated and elevated pay scales the project aims to achieve a number of key anti-corruption objectives: Firstly, it aims to reward highly qualified staff adequately, thereby helping reduce incentives for absenteeism and possible graft. Secondly, it aims to inject a cadre of high capacity staff into the civil service, to boost government capacity to create and follow effective procedures and processes. Thirdly, since these staff will generally be in management positions, this should facilitate improved supervision of ministerial processes, again reducing opportunities for malpractice. Fourthly, since the contracts for these staff will be for a more reasonable time frame of up to 4-5 years, there will be greater stability in the managerial capacity in CBR ministries.

311.4 *Establish independent pay commission:* An independent pay commission will be created to examine pay issues and propose to Government specific pay reforms. TOR for this commission will require it to address both fiscal sustainability and the need to attract, retain and motivate all the skill sets required by Afghanistan's public administration; recognizing that these two objectives are competing and will require trade-offs. The project will support efforts to establish the legal framework creating such a commission, as well as to help create its core capacities once it is formed. This would also provide a mechanism through which to review the appropriateness of CBR salary scales some years into implementation, and revise these to improve fiscal sustainability if possible.

311.5 *ARTF governance benchmarks:* ARTF governance benchmarks and IMF consultations will help to help retain overall discipline on pay and size of the civil service

312 To address the risks posed by donors 'outbidding' CBR pay scales, thereby compromising capacity transfer to civil service through the CBR, the project will support the following additional risk mitigation measure:

312.3 *Government policy on harmonization of donor-provided remuneration and top-ups:* As per Presidential Decree, the Government, upon the recommendations of the National TA Commission, will adopt guidelines, with the agreement of main donors, on donor-financed salaries and allowances payable to Afghans working on Government programs. Efforts to mitigate the risk of donor compliance with the outcome of this exercise are already underway, through concerted consensus building efforts with the donor community.

312.4 *Phase down reliance on EFS:* Another important element of project design is the requirement for reliance on costly EFS to be reduced in participating line ministries over the course of the project. Donors and government should begin to see the CBR as an alternative

to extensive positions outside of the tashkeel, therefore reducing the impact of these positions on civil servant recruitment.

313 There is a further risk associated with the project design, in that staff not receiving elevated CBR pay-scales may feel resentment similar to that noted with respect to the presence of NTA. While the project will aim to create pay scales lower than the current salaries offered to NTA, there is still a risk associated with creating a senior and professional cadre in ministries on higher pay scales. There are three main mitigation strategies envisaged for this:

313.3 *Pay Commission to reduce salary differential over time:* Establish provisions for a pay commission to review salaries and make recommendations for reducing the gap between CBR and the normal civil service salaries over time.

313.4 *Create clear benchmarks for professional groups:* Ensure that professional groups are clearly defined and that their qualifications and work experience visibly sets them apart from those of standard civil servants.

313.5 *Staff Performance Award benefits accessible for all Ministry staff:* Should a Department of a CBR participating ministry perform well, then the whole team, including civil servants on Pay and Grading salaries, should be able to benefit from the proposed performance award.

### **Project disbursement conditions**

314 In addition to the above sets of risks and the activities undertaken to mitigate them, there remains the chance that the project may still begin veering off course, compromising its chances of making reasonable progress toward its objectives. Accordingly, it is important to consider project disbursement conditions and how problems will be rectified. Factors should be considered such as if recruitment of staff under the project is excessively politicized or patronage-based or CBR Tier 1 funding decisions are too politicized, and actions would need to be taken to rectify these in during a specified period of time.

315 The challenge will be to determine whether any of these risks has become too “severe”. It may be possible to gather evidence on both of these through surveys of public officials, citizens and firms. Bank supervision missions, regular informal feedback from the PSUs and independent audits will be key mechanisms through which to assess these issues.

***Table 1: Governance and Accountability Risk Mitigation Measures***

Governance and accountability risk identified	Nature of the risk	Risk mitigating strategy	Responsible Agency

Governance and accountability risk identified	Nature of the risk	Risk mitigating strategy	Responsible Agency
<i>Biased recruitment and selection of SMG staff</i>			
Risk 1: Posts may be purchased	Financial and non financial favors may influence recruitment	(i) An independent HR firm will be employed to manage the initial stages of the recruitment and selection process.	(i)IARCSC (ii) MOF
Risk 2: Political and other pressures upon recruitment	Selection process can be subject to external pressures	(i) HR firm assists with recruitment (ii) Support to Independent Appeals Board	(i)IARCSC (ii) Independent Appeals Board
Risk 3: Security risks undermine SMG attractiveness	Security risks undermine efforts to attract and retain qualified, motivated staff within SMG ranks	(i) Potential posting rotations (ii) Hardship pay	(i) IARCSC (ii) MOF
<i>Limited impacts of international technical assistance</i>			
Risk 1: Poor quality of international TA's attracted by the Government	Experience with TAs has been mixed.	(i) Shorter, more focused TORs and contract terms where possible.	(i) PSU-MoF (ii) LMs
Risk 2: High salaries of international TAs and Externally Funded Staff (EFS)	Resentments created by high salaries of international TAs and EFS limits capacity building	(i) Create attractive opportunities within civil service (ii) Phase down reliance on EFS (iii)Encourage donor coordination on pay scales per NTA commission	
Risk 3: Failure of international TA to build capacity	International TAs may focus on doing the work of the unit they have been hired to strengthen, rather than improving the capacity of that unit's staff to do that work.	(i) Capacity-building focused TOR. (ii) Close PSU supervision focused on capacity building. (iii)Contract renewal contingent on evidence of capacity building achievements.	
<i>Central agency cooperation</i>			
Risk 1: Lack of coordination between	Potential for differing visions of	(i) Continuous 'soft' supervision supported by	(i) WB (ii) SC

Governance and accountability risk identified	Nature of the risk	Risk mitigating strategy	Responsible Agency
implementing agencies	implementation and management processes	realistic bank supervision budget (ii) Mid-term review governance arrangements reappraisal (iii) SC and PSUs encouraged to coordinate through established mechanisms	(iii) PSUs in MOF and IARCSC
<i>Politicization of CBR Project funding allocations</i>			
Risk 1: Ministries use political weight to obtain CBR funding	Steering Committee can be subject to pressure to approve CBR	(i) CBR proposal evaluations based on technical standards	(i) MOF PSU (ii) WB
Risk 2: Central authorities play political favorites in CBR funding decisions	CBR funding could be viewed as a means of rewarding allies	(i) Same as for Risk 1	(i) MOF PSU (ii) WB
<i>Unethical behavior of civil servants</i>			
Risk 1: Unprofessional or unethical standards especially among SMG	SMGs may misuse their authority	(i) Specialized training in ethical standards for civil servants (ii) Increased senior management capacity	IARCSC
<i>Pay setting risks</i>			
Risk 1: Pay and grading is limited in its ability to resolve issues of the currently overheated market place for jobs	There will be pressure to increase salaries because P&G does not solve staffing problems of ministries	(i) Establish independent pay commission to review and propose salary levels for civil servants.  (ii) ARTF incentive program governance benchmarks and IMF consultations  (iii) Government policy on harmonization of donor-provided remuneration and top-ups (same as under “Limited impacts of ITA”)	(i) MoF and IARCSC (ii) Pay Commission (iii) LMs

Governance and accountability risk identified	Nature of the risk	Risk mitigating strategy	Responsible Agency
		(iv) Phase down numbers of EFS	
Risk 2: CBR fails because of lack of donor discipline in reducing labor market distortions	If donors 'outbid' CBR pay scales, capacity transfer to civil service through the CBR will be compromised	(i) Government policy on harmonization of donor-provided remuneration and top-ups. (ii) Phase down reliance on EFS	(i) OoP (ii) IARCSC (iii) MoF (iv) Donors
<i>Weak service delivery accountability</i>			
Risk 1: Service delivery accountability is considered weak throughout Afghanistan's public administration.	Weak service delivery accountability risks the ability of a ministry to achieve performance targets.	(i) Ministry-specific service delivery targets for Tier 1 ministries (ii) Service delivery accountability of a single responsible agent within each participating Tier 1 ministry	(i) LMs (ii) MOF PSU (iii) IARCSC PSU
<i>Misuse of Project Funds</i>			
Risk 1: Misuse of TA financing	Weak financial management controls could put project TA funding at risk of misuse	(i) Standard World Bank project financial controls (project accounting system, compliance with World Bank procurement procedures, annual project audits).	MOF PSU
Risk 2: Misuse of funds for financing salaries	Weak financial management controls could put project funding of salaries at risk of misuse	(i) See the various risk mitigation actions aimed at ensuring proper recruitment and selection of staff whose salaries are to be financed under this project	Various
<i>Project Disbursement Conditions</i>			
Risk 1: Major project failure	Despite all measures to address the above risks, the project may still face risks that seriously compromise the	(i) Consideration of disbursement conditions that would allow the World Bank to suspend or cancel further disbursements if it is determined that certain	World Bank (for assessment)

Governance and accountability risk identified	Nature of the risk	Risk mitigating strategy	Responsible Agency
	integrity of the project and impact.	risks have materialized and become too severe and are not mitigated within a specified timeframe by Government.	





**ANNEX 11: CBRP PROPOSAL TEMPLATE**

**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

**Draft Template for Application to the Capacity Building for Results (CBR) Facility**

The information to be provided in the following template will be the basis of your ministry's application for financing under the Capacity Building for Results (CBR) Facility, in support of your Capacity Building for Results Program (CBRP). It will include details outlining your medium-term objectives for the various programs that you undertake to meet the needs of your client groups (beneficiaries) under the legal mandate of the ministry. Specifically, it covers the organizational and managerial changes you propose to undertake to achieve these objectives; the ways in which you will monitor results both in progress on the reforms, and the impacts on outcomes for beneficiaries; the cost of taking these actions as well as the staffing you propose at the managerial level and plans to raise their capacity to perform their duties. In addition, it will include actions you propose to take to enhance client participation in the design and implementation of your ministry's activities.

Your request will be evaluated by the CBR Steering Committee, following an independent technical appraisal. A Technical Group is available to assist in refining your proposal, and you may request limited TA through the Project Support Unit (PSU) to assist with development of your application.

The GoA expects that process of completing this application for submission will benefit from substantial interaction between the Ministry and the CBR Advisory Group (including MoF and CSC), the PSU and the Administrator of the ARTF (World Bank).

**Name of Ministry:** \_\_\_\_\_  
**Name of CBR Focal Point and Designation:** \_\_\_\_\_  
**Signature of Minister (or authorized representative):** \_\_\_\_\_

## Section I. Identifying the Goals and Objectives of the Ministry

**i. Mandate of the Ministry:** In the box below, please summarize the key elements of your ministry's mandate:

*Table 2: Ministry Mandate Summary*

<b>Key Elements of Ministry Mandate: (Please add additional rows as required)</b>
1.
2.
3.
4.
5.

**ii. Vision Statement of the Ministry:**

*Table 3: Ministry Vision Statement*

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**iii. Goals: Strategic Objectives of the Ministry for 1395:**

*Table 4: Ministry's Strategic Objectives for 1395*

<b>The Ministry's Strategic End-of-Program Objectives: (Please add additional rows as required)</b>
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1.
2.
3.
4.
5.

**iv. Please explain how participation in CBR would help your ministry to develop and fulfill the objectives and goals stated above.**

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## Section II. Reforming Systems to Improve Results

In this section please evaluate key processes for each category below in your ministry. Please use the text box for general comments and the current challenges faced. Use the table below to identify specific processes and state what actions should be taken to reform these processes (if any), adding or amending the rows as appropriate. Please highlight differences between the central and sub-national levels where appropriate. This information will then assist you in preparing the Financial Plan annex. Please attach diagrams or plans as annexes as required.

### A. Program Planning and Management

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*Table 5: Service Delivery Challenges and Proposed Reforms*

Type of arrangement	Current Practice and Challenges	Proposed Changes	Proposed Assistance
i. Planning Processes			
ii. Monitoring and Evaluation Processes			
iii. Policy Development Processes			
v. Legal/ Regulatory Development Process			

iv. Staffing			
v. Training			
vi. Equipment			
vii. Other			

**Financial Management**

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*Table 5: Financial Management Challenges and Proposed Reforms*

Type of arrangement	Current Practice and Challenges	Proposed Changes	Proposed Assistance
i. Provincial Budgeting			
ii. Spending Authority			
iii. Procurement Processes			
iv. Audit Processes			
v. Other			

**B. HR Management**

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*Table 6: HRM Challenges and Proposed Reforms*

<b>Type of arrangement</b>	<b>Current Practice and Challenges</b>	<b>Proposed Changes</b>	<b>Proposed Assistance</b>
i. Recruitment			
ii. Promotions			
iii. Performance management			
iv. Career development			
v. Gender Equality			
vi. Payroll management			
vii. Other			

**Section III. Identifying your Ministry’s Deliverable Results**

**A. Service Delivery Activity Results**

In this section, the Ministry is asked to develop targets for at least 10 key areas in which it commits itself to make sustained service improvements over the course of its participation in CBR.

*Table 7: Service Delivery Improvement Monitoring Plan*

<b>Service Delivery Improvement Outcome</b>	<b>Output Indicator (stated)</b>	<b>Relevant Implementing Program</b>	<b>Accountable Department</b>	<b>Current Service Level Reaching Beneficiaries</b>	<b>Intermediate Result Year 2</b>	<b>Intermediate Results Year 3</b>	<b>Intermediate Results Year 4</b>	<b>Final Target Level Year 5</b>



**B. Financial Management Results**

Please state your current budget execution rates in the table below, alongside the total budget for the years listed. Also state your projected budgets for the years listed as well as the budget execution rates you expect to achieve through your ministry’s reform program. Also include any targets for increasing the allocation of budget for execution by sub-national authorities:

*Table 86: Budget Execution Monitoring Summary*

<b>Budget Breakdown</b>	<b>1388 Budgeted</b>	<b>1388 Executed</b>	<b>1389 Budgeted</b>	<b>1389 Executed</b>	<b>Expected Budget 1392</b>	<b>Target Execution Rate 1392</b>	<b>Projected Budget 1395</b>	<b>Target Execution Rate 1395</b>
Core Budget								
Development Budget								
Operating Budget								
Percent of Budget Implemented by Local Authorities								

**C. HR Management Results**

Please state the objectives that the ministry will aim to achieve through its HRM reforms, and state appropriate indicators for each. Include an explanation of how this indicator is interpreted as relating to the objective. Examples are available in the Guidance Notes document, but the Ministry is expected to prepare indicators that best suit its own reform plan.

*Table 9: HRM Improvements Monitoring Plan*

<b>HRM System Objective</b>	<b>Indicator</b>	<b>Interpretation</b>	<b>Who Will Monitor</b>	<b>Baseline (1390)</b>	<b>1392</b>	<b>1395</b>


**Section IV. Provisions for Client Participation**

In this section please describe the actions to be undertaken to enhance citizen/client participation in the delivery of services for which your ministry is responsible, including their role in providing feedback on the quantity, quality and timeliness of the delivery of those services.

**Table 10: Proposals for Reforms for Client Participation**

Aspect of client participation	Proposed Action and Relevance to Ministry Objectives	Proposed Assistance
i. Stakeholder input in policy and legal development		
ii. Stakeholder consultations for ministerial reform plans		
iii. Providing feedback		

**Section V. Resources for Improved Results**

**A. Tashkeel Reforms**

In this section, we ask for the planned changes to the tashkeel over the next 5 years, accounting for any expected draw down of project based staff. Currently, the ministry may be benefitting from a number of project based staff in positions key to service delivery. In line with expected completion dates of these projects, please evaluate which positions should be added to the tashkeel in order to maintain delivery of key internal or external services. Explain how this will be reconciled with the need to maintain the current total size of tashkeel, and also to increase ministry presence at province level where relevant.

*Table 11: Tashkeel Reform Plan Summary*

Major Changes to Tashkeel until 1395	Justification
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**B. Building Tashkeel Capacity**

The CBRF will provide funding through the MoF and on-budget for support to key ministerial positions for which high capacity staff are required, where these cannot easily be recruited at the pay and grading rates.

**1. Senior Management Group (SMG)**

Please complete the following summary of your Senior Management Group requirements

*Table 12: Senior Management Group Staffing Proposal Summary*

<b>Position</b>	<b>Location: (Centre/ Province Title)</b>	<b>Grade</b>	<b>Proposed Date Active From:</b>

**2. Common Function Group**

*Table 13: Common Function Staffing Proposal Summary*

<b>Financial Management: Position Title</b>	<b>Location: (Centre/ Province name)</b>	<b>Grade</b>	<b>Proposed Date Active From:</b>

1.			
2.			
3.			
4.			
(Please add as needed)			
<b>Procurement: Position Title</b>		<b>Grade</b>	<b>Proposed Date Active From:</b>
1.			
2.			
3.			
4.			
<b>Internal Audit: Position Title</b>		<b>Grade</b>	<b>Proposed Date Active From:</b>
1.			
2.			
3.			
4.			
<b>Human Resource Management: Position Title</b>		<b>Grade</b>	<b>Proposed Date Active From:</b>

			<b>Active From:</b>
1.			
2.			
3.			
4.			

### 3. Technical and Professional Cadres

*Table 14: Technical and Professional Cadres Staffing Proposal*

<b>Proposed Technical Cadre Name and Role</b>	<b>Proposed Date Active From:</b>	<b>Market Assessment (Qualifications required, market competitive rates)</b>	<b>Initial number of staff in Cadre</b>		
			<b>3</b>	<b>4</b>	<b>5</b>
1.					
2.					
3.					

**Section VI. Agreed Results Framework for Ministry \_\_\_\_\_**

**A. Summary Table and Timeline for Results**

The following table should be used to summarise the commitments made in the proposal above, once they are agreed with the relevant parties to the CBR process. Please briefly define each result in column 1 and add rows as needed.

*Table 157: Expected Reform Results Summary*

<b>Section:</b>	<b>Baseline 1390</b>	<b>Target 1395</b>	<b>Responsible Staff</b>
<b>Service Delivery</b>			
[Result 1]			
[Result 2]			
[Result n]			
<b>HR</b>			
[Result 1]			
[Result 2]			
[Result n]			
<b>FM</b>			
[Result 1]			
[Result 2]			
[Result n]			

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**B. Management of CBR**

Please describe in the following table, arrangements current and planned for monitoring and evaluation of CBR activities.

*Table 16: Reform Process Monitoring and Evaluation Plan Summary*

i.	<b>Please detail below the processes through which you currently monitor and evaluate off-budget projects of the ministry: Please include details of responsible parties, activities, mechanisms used, feedback processes:</b>
ii.	<b>How will progress against the Ministry's agreed CBR Targets be monitored?</b>
iii.	<b>What experience has the Ministry had with donor support thus far that would instruct implementation of the CBRP?</b>
iv.	<b>Please indicate the mechanisms through which you will manage donor coordination within the Ministry.</b>

**ANNEXES:** Please include the following documents with your application, if these are not available, please note this in the space provided. Please then ensure that the two mandatory annexes below are fully completed. This will require cooperation between the various departments of the ministry, so please ensure you begin this process early on.

<b>ITEM</b>	<b>Author</b>	<b>Date Produced/ Updated</b>	<b>ENCLOSED Y/N</b>
<b>Business or strategic plan</b>			
<b>Tashkeel for years 1-5 of program as required</b>			
<b>Institutional and capacity assessments</b>			
<b>Public Financial Management assessment</b>			
<b>Costed roadmap for process improvements</b>			
<b>Table on CBRP costs</b>			
<b>Results framework and benchmarks matrix</b>			
<b>Table of donor-funded positions and top-ups</b>			
<b>Donor funded programs in the ministry</b>			
<b>Gender Strategy/Policy</b>			
<b>HR Strategy/ Policy</b>			



**Mandatory Annex 1. Use of Donor Supported Staffing**

**A. Inventory of Support**

Please complete a table using the following format. It should not contain names of persons involved.

Project Name (see Note 1)	Donor	Amount of Assistance	Duration	Ministry Host Unit	International TA and/or Advisor (Position Note 2)	National Consultants (please state position Note 2)	Civil Servants Receiving Wage/Benefits Assistance (see Note 3)
1.							
2.							
3.							

Note 1: Please state program/project name, amount of assistance

Note 2. Please state the name of the profession (**not the individual**), the job performed, duration of assignment

Note 3: Please state the numbers, grade grouping (2+; 3-8) type of assistance (wage, benefit), **Do not identify the individuals by name**

**Mandatory Annex 3:**

1. On-Budget Programs

Strategic Objective	Program Name and Activity	Project Start	Expected End	Current Level of Outputs Reaching Beneficiaries	Targets for Output Levels (please state	What Outcomes and Impacts are
---------------------	---------------------------	---------------	--------------	---	---	-------------------------------

	<b>Description (what is done and for whom)</b>	<b>Date</b>	<b>Date</b>		<b>if target date different from project end date)</b>	<b>Expected?</b>
	1.					
	2.					
	3.					
	4.					

2. Off Budget Programs

<b>Strategic Objective</b>	<b>Program Name and Activity Description</b>	<b>Project Start Date</b>	<b>Expected End Date</b>	<b>Current Level of Outputs Reaching Beneficiaries</b>	<b>Targets for Output Levels (please state if target date different from project end date)</b>	<b>What Outcomes and Impacts are Expected?</b>
	1.					
	2.					
	3.					

**ANNEX 12: DOCUMENTS IN PROJECT FILES**  
**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

PCN Review Package	January 24, 2011
Minutes of the Project Concept Note Review Meeting	February 22, 2011
Peer Review Comments and Responses	January 24, 2011
Appraisal Preparation Mission Aide Memoire	November 20, 2011
Project Support Unit TORs	November-December 2011
Disbursement Letter	<i>TBD</i>
Financial Management, Disbursement and Audit Arrangements	<i>TBD</i>

**ANNEX 13: COUNTRY AT A GLANCE**

**AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY**

# Afghanistan at a glance

## Key Development Indicators

(2010)

	Afghanistan	South Asia	Low income
Population, mid-year (millions)	30.6	1,568	846
Surface area (thousand sq. km)	652	5,131	17,838
Population growth (%)	2.8	1.5	2.2
Urban population (% of total population)	24	30	29
GNI (Atlas method, US\$ billions)	13.98		
GNI per capita (Atlas method, US\$)	470	1,107	509
GNI per capita (PPP, international \$)		2,972	1,220
GDP growth (%)	5.4	8.1	4.6
GDP per capita growth (%)	0.6	6.5	2.4

(most recent estimate, 2004–2010)

Poverty headcount ratio at \$ 1.25 a day (PPP, %)	36	40	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	..	74	..
Life expectancy at birth (years)	44	64	57
Infant mortality (per 1,000 live births)	134	55	76
Child malnutrition (% of children under 5)	33	42	28
Adult literacy, male (% of ages 15 and older)	..	73	69
Adult literacy, female (% of ages 15 and older)	..	50	55
Gross primary enrollment, male (% of age group)	123	110	107
Gross primary enrollment, female (% of age group)	83	105	100
Access to an improved water source (% of population)	48	87	64
Access to improved sanitation facilities (% of population)	37	36	35

## Net Aid Flows

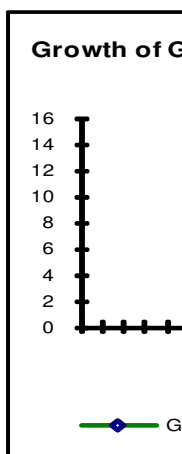
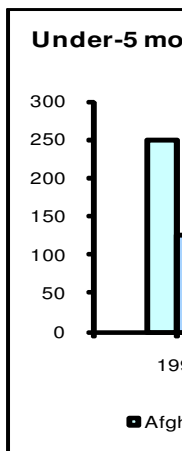
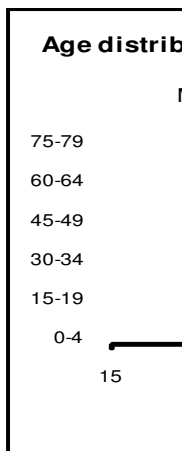
	1980	1990	2000	2010 <sup>a</sup>
<i>(US\$ millions)</i>				
Net ODA and official aid	32	122	136	5,261
<i>Top 3 donors (in 2008):</i>				
United States	2	56	2	4,507
European Union Institutions	0	2	18	144
Germany	1	8	11	189
Aid (% of GNI)	0.9	..	16.4	45.7
Aid per capita (US\$)	2	6	5	172

## Long-Term Economic Trends

Consumer prices (annual % change)	..	..	..	13.7
GDP implicit deflator (annual % change)	..	..	3.8	19.6
Exchange rate (annual average, local per US\$)	44.1	50.6	67.7	47.0
Terms of trade index (2000 = 100)	..	..	..	..

Population, mid-year (millions)	15.3	19.0	26.0	30.6
GDP (US\$ millions)	3,642	..	2,462	16,956

	<i>(% of GDP)</i>			
Agriculture	..	..	45.2	32.2
Industry	..	..	19.7	23.7
Manufacturing	..	..	15.0	12.8



Balance of Payments and Trade	2000	2010
<i>(US\$ millions)</i>		
Total merchandise exports (fob)	1,291	2,512
Total merchandise imports (cif)	1,697	9,169
Net trade in goods and services	-1,363	-6,656
Current account balance	-150	-163
as a % of GDP	-3.5	-1.1
Workers' remittances and compensation of employees (receipts)	..	-
Reserves, including gold	425	5,321

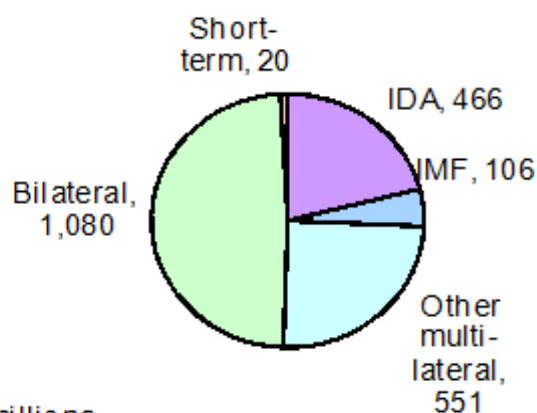
#### Central Government Finance

<i>(% of GDP)</i>		
Current revenue (including grants)	7.8	20.1
Tax revenue	..	5.4
Current expenditure	7.9	19.4
Overall surplus/deficit	-0.1	0.7
Highest marginal tax rate (%)		
Individual	..	-
Corporate	20	20

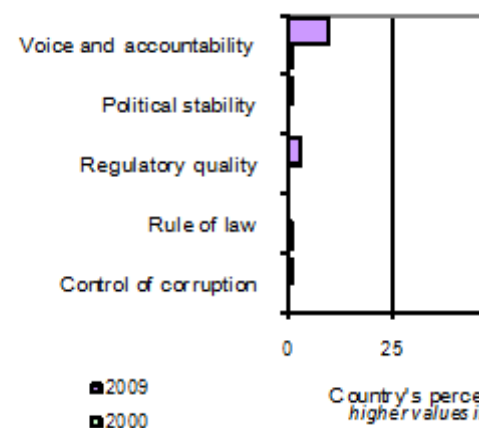
#### External Debt and Resource Flows

<i>(US\$ millions)</i>		
Total debt outstanding and disbursed	169	2,297
Total debt service	8	9
Debt relief (HIPC, MDRI)	654	20
Total debt (% of GDP)	7.1	17.8
Total debt service (% of exports)	0.6	0.3
Foreign direct investment (net inflows)	..	185
Portfolio equity (net inflows)	..	0

Composition of total external debt, 2009



Governance indicators, 2000 and 2009



Source: Kaufmann-Kraay-Mastruzzi, World Bank

#### Technology and Infrastructure

Paved roads (% of total)  
 Fixed line and mobile phone subscribers (per 100 people)  
 High technology exports (% of manufactured exports)

#### Environment

Agricultural land (% of land area)  
 Forest area (% of land area)  
 Terrestrial protected areas (% of land area)  
 Freshwater resources per capita (cu. meters)  
 Freshwater withdrawal (billion cubic meters)  
 CO2 emissions per capita (mt)  
 GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)  
 Energy use per capita (kg of oil equivalent)

#### World Bank Group portfolio

*(US\$ millions)*

IBRD  
 Total debt outstanding and disbursed  
 Disbursements  
 Principal repayments  
 Interest payments

IDA

# Millennium Development Goals

*With selected targets to achieve between 1990 and 2015*

*(estimate closest to date shown, +/- 2 years)*

	1990	1999
<b>Goal 1: halve the rates for extreme poverty and malnutrition</b>		
Poverty headcount ratio at \$ 1.25 a day (PPP, % of population)	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..
Share of income or consumption to the poorest quintile (%)	..	..
Prevalence of malnutrition (% of children under 5)	..	44.3
<b>Goal 2: ensure that children are able to complete primary schooling</b>		
Primary school enrollment (net, %)	..	23.3
Primary completion rate (% of relevant age group)	..	23.3
Secondary school enrollment (gross, %)	11	..
Youth literacy rate (% of people ages 15-24)	..	..
<b>Goal 3: eliminate gender disparity in education and empower women</b>		
Ratio of girls to boys in primary and secondary education (%)	54	44
Women employed in the nonagricultural sector (% of nonagricultural employment)	18	..
Proportion of seats held by women in national parliament (%)	4	..
<b>Goal 4: reduce under-5 mortality by two-thirds</b>		
Under-5 mortality rate (per 1,000)	250	233
Infant mortality rate (per 1,000 live births)	167	150
Measles immunization (proportion of one-year olds immunized, %)	20	..
<b>Goal 5: reduce maternal mortality by three-fourths</b>		
Maternal mortality ratio (modeled estimate, per 100,000 live births)	1,700	1,800
Births attended by skilled health staff (% of total)	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..
<b>Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases</b>		
Prevalence of HIV (% of population ages 15-49)	..	..
Incidence of tuberculosis (per 100,000 people)	189	180
Tuberculosis case detection rate (% of all forms)	18	..
<b>Goal 7: halve the proportion of people without sustainable access to basic needs</b>		
Access to an improved water source (% of population)	..	..
Access to improved sanitation facilities (% of population)	..	..
Forest area (% of land area)	2.1	..
Terrestrial protected areas (% of land area)	..	..
CO2 emissions (metric tons per capita)	0.1	..
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	..	..
<b>Goal 8: develop a global partnership for development</b>		
Telephone mainlines (per 100 people)	0.2	..
Mobile phone subscribers (per 100 people)	0.0	..
Internet users (per 100 people)	0.0	..
Personal computers (per 100 people)	..	..

# ANNEX 14: MAP

## AFGHANISTAN: CAPACITY BUILDING FOR RESULTS FACILITY

