



# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 18-Feb-2019 | Report No: PIDISDSA25717



**BASIC INFORMATION**

**A. Basic Project Data**

Country Afghanistan	Project ID P168266	Project Name Payments Automation and Integration of Salaries in Afghanistan (PAISA)	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 19-Feb-2019	Estimated Board Date 25-Apr-2019	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Islamic Republic of Afghanistan	Implementing Agency Ministry of Finance, Da Afghanistan Bank	

Proposed Development Objective(s)

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

Components

- Component 1: Biometric identification system
- Component 2: Integration of the Identification, Verification and Payment Systems
- Component 3: Expansion of financial services and access points
- Component 4: Project management

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	50.00
<b>Total Financing</b>	50.00
<b>of which IBRD/IDA</b>	10.00
<b>Financing Gap</b>	0.00

**DETAILS**

**World Bank Group Financing**

International Development Association (IDA)	10.00
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IDA Grant	10.00
<b>Non-World Bank Group Financing</b>	
Trust Funds	40.00
Afghanistan Reconstruction Trust Fund	40.00

Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

**B. Introduction and Context**

Country Context

1. **Substantial improvements in development outcomes have been observed in Afghanistan since 2001, particularly in expanded access to water, sanitation and electricity, and improved outcomes in education and health.** Moreover, following the economic shock of the withdrawal of international troops, the associated decline in aid and deterioration in security, the Afghan economy has regained momentum as reforms have been implemented and confidence restored. However, some gains are now being eroded and risks are arising from the prospects of political instability around the 2018-2019 elections. Business confidence is declining, and economic activity is slowing. Civilian casualties remain at unprecedented levels in 2017 (10,451 killed or wounded) and 2018 (8,050 in the first 9 months). Some areas of the country remain difficult to access because of insecurity.

2. **Real GDP growth, after accelerating to 2.7 percent in 2017 from a low of 1.5 percent in 2015, is projected to moderate to 2.4 percent in 2018 amid growing political and security concern around the upcoming elections.** Growth is expected to accelerate further to 3.7 percent by 2021 assuming smooth political transition after the 2018-19 elections. With the population growing at 2.7 percent, however, the projected growth path will not be strong enough to improve incomes and livelihoods for most Afghans. The poverty rate in Afghanistan has increased significantly, from 38 percent in 2011/12 to 55 percent in 2016/17. It is expected to remain high in the medium-term, driven by weak labor demand (despite an increasing labor force) and security-related constraints on service delivery. Living standards are further threatened by the worsening drought conditions and displacement (more than 1.7 million Afghans are internally displaced, and more than 2 million have been returning to Afghanistan – mostly from Pakistan and Iran – since 2015).

3. **Stronger growth is predicated on improvements in security, political stability, steady progress with reform, and sustained aid.** With an extremely narrow private sector base, the economy relies on foreign aid and public expenditure. Business and consumer sentiments appear to be deteriorating, potentially reflecting expectations of



political instability and violence associated with upcoming elections, stagnating economic activity and overall security situation. It is vital to focus on private sector led growth and revitalization of the economy to fill the void emerging from declining donor inflows. However, private sector development and diversification are constrained by political instability, weak institutions, inadequate infrastructure, underdeveloped financial sector, widespread corruption, and a difficult business environment. Afghanistan was ranked 167<sup>th</sup> of 190 countries in the 2019 Doing Business Survey and 177 out of 180 in Transparency International's 2017 Corruption Perception Index<sup>1</sup>. Addressing avoidable constraints to private investment, including unnecessary regulatory barriers, increasing access to finance (especially for groups more vulnerable to instability, including SMEs, women, microenterprises) and prioritizing the sectors with greatest capacity to support increased growth, job creation, exports, and government revenues would be key to boost economic growth. Public expenditure constitutes 25.6 percent of GDP; however, foreign grants currently finance more than two-thirds of budget expenditure and substantial off-budget security needs. With aid expected to decline from around 46 percent of GDP in 2017 to 20 percent of GDP by 2030, and in the context of a rapidly growing population, new sources of growth, employment, revenues, and exports are desperately needed, as are savings from improved management of public expenditure.

**4. Afghanistan faces important challenges and opportunities in 2019.** Parliamentary elections were held in November 2018, and Presidential elections are scheduled for July 2019. Based on historical experience, upcoming elections may be associated with: i) deterioration in governance and weakened revenue performance; ii) contested outcomes due to weak electoral institutions; and iii) prolonged policy deadlock through periods of contestation over election outcomes, political bargaining, and appointment of new senior staff throughout government ministries. Additional country risks arise from the volatile security situation and uncertainties regarding the duration of external security assistance. At the same time, ongoing negotiations present the possibility of a peace deal with the Taliban, with the potential for significant improvements in the security situation, service delivery, and investor confidence.

**5. Afghanistan, with its consistently high rankings on the Global Climate Risk Index, is among the most vulnerable countries to the effects of natural hazards, including earthquakes, floods, landslides and avalanches, and climate change, particularly with regards to extreme temperatures, extreme precipitation, and droughts.** Climate change poses a significant threat to Afghanistan's natural resources, of which the majority of Afghans depend for their livelihoods. Annual average temperature is expected to increase by 1°C to 2.8°C by 2060 relative to current conditions. The expected rise in temperatures would increase incidences of heatwaves, and other climate linked disasters, such as glacial lake outflows (GLOFs). Climate change is also expected to increase the frequency of heavy precipitation events, as well as contribute to earlier spring snowmelt, increasing risks of flash floods and landslides, and reducing the availability of water over the summer months. Floods are already the most frequent natural hazard in Afghanistan and result in the largest economic losses. On average, however, droughts cause US\$280 million in economic damages to agriculture each year and affect the most people. The likelihood of more frequent and severe drought is increasing, especially in the northwest and southeast regions of the country.

#### Sectoral and Institutional Context

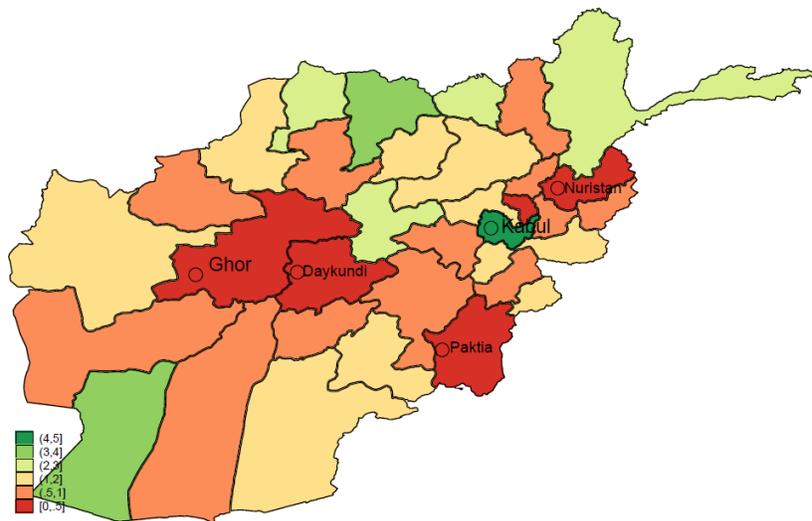
**6. Financial inclusion remains a remarkable challenge in Afghanistan and is constrained by limited intermediation channels.** Financial inclusion has the potential to significantly impact on the living standards of the poor through several channels including microcredit, micro-insurance and formal and low-cost savings, payments, and remittance arrangements. In Afghanistan however, nine out of ten Afghan adults are financially

<sup>1</sup> Sources: [www.doingbusiness.org/rankings](http://www.doingbusiness.org/rankings) and [www.transparency.org/cpi](http://www.transparency.org/cpi)



excluded. Women are disproportionately affected by the lack of access to finance. Men are almost four times more likely to have an account at a formal financial institution. As per the 2017 Global Financial Inclusion (FinIndex) survey, at least half of the Afghan adults report that they do not have an account citing, amongst other reasons, the large travel distance to the nearest financial institution and the security situation as main barriers. Indeed, the majority of bank and Microfinance Institutions (MFI) branches are concentrated in only few provinces in Afghanistan (Figure 1). In other South Asian countries, or fragile and conflict-affected economies that have relatively low numbers of financial institutions, the number of access points per capita is much larger. For example, in Nepal or Bangladesh, the number of access points per 100,000 adults is 21 and 17 respectively, compared with 3 in Afghanistan (IMF Financial Access Survey, 2017).

**Figure 1: Number of Bank and MFI Branches per 10,000 people (2014)**

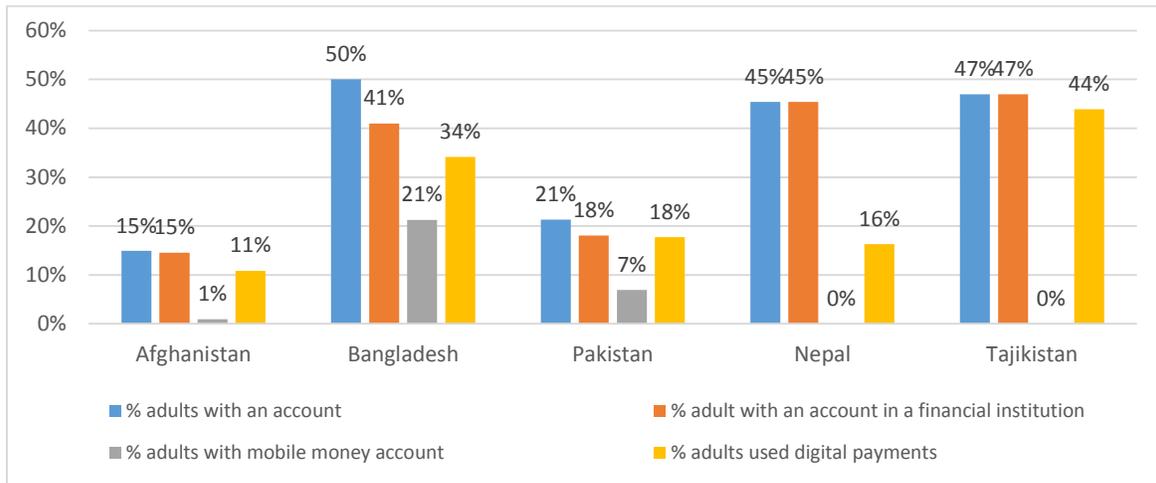


Data source: Da Afghanistan Bank (DAB) and Microfinance Investment Support Facility for Afghanistan (MISFA)

**7. Penetration of digital finance is similarly very low, compared with peer countries, both in terms of access and usage.** The current level of transaction account ownership and electronic payment usage in Afghanistan is very low compared to countries in Central or South Asia (Figure 2). According to the Global FinIndex 2017 survey, only 15 percent of adults in Afghanistan have a transaction account that allows for payments and store of value. These accounts are held at financial institutions. Only 1 percent of adults use mobile phones to access their accounts. Account ownership and usage are different: some may own accounts but may not use them. Actually, only 58 percent of adults with an account made a single withdrawal in the past year.



Figure 2: Account ownership in Afghanistan (Findex, 2017)



8. **Recourse to technology for the provision of financial services can help overcome the main barriers to access and usage of transaction accounts in Afghanistan.** The biggest concern reported by financially-excluded Afghans is the cost of opening and maintaining an account, followed by the distance to an access point. In this respect, financial technology solutions can address both constraints, play a pivotal role in bridging the inclusion gap and facilitate access to economic opportunities. Moreover, heightened security risks and frequent attacks on banks’ branches, especially on pay day, exacerbate costs and challenges of having to rely on the traditional, limited payment channels. In this regard, developing electronic payments – or digital payments – emerges as an innovative approach that can provide the necessary scale for nationwide coverage and expansion of financial services. The availability of digital payments represents an opportunity to induce the Afghan population to obtain transaction accounts, by increasing the value of owning such accounts<sup>2</sup>.

9. **Since 2015, significant work has been undertaken to develop the financial infrastructure necessary to spur digital finance in Afghanistan.** The Afghanistan Payment System (APS), a switch for card and mobile wallet transactions, has so far succeeded in enabling ATM interoperability. However, the low number of access points have limited its impact. Initially formed as a consortium of commercial banks, the APS has recently been nationalized and amalgamated into the central bank (Da Afghanistan Bank, DAB). In addition to that, DAB is about to launch the Automated Transfer System (ATS), comprising the Real Time Gross Settlement (RTGS) system for interbank settlements and an Automated Clearing House (ACH) for direct debits and credit transfers. As a result, by end-2019 Afghanistan is expected to have established the necessary infrastructure to enable interoperable automated payments across the entire banking system and non-bank payment service providers. To accompany the development of IT and financial infrastructure, DAB issued in 2016 a regulation to regulate money services providers and payment system operators, to support electronic payments and digital financial services.

10. **The integration of large-volume, recurrent payment streams, such as government-to-person payments (G2P) into the digital financial space provides ample opportunity to scale-up the usage of digital payments in Afghanistan, in line with international experience.** The Payments Aspects of Financial Inclusion (PAFI) framework

<sup>2</sup> The value of owning a transaction account increases, as owners can do more than storing value only (e.g. paying for utility bills, merchandise, etc.)



developed by the World Bank Group and the Committee for Payments and Market Infrastructures (CPMI) considers G2P payments as a “catalytic pillar” that can promote inclusion by directly providing transaction accounts to unserved and underserved end users. In Afghanistan, these mostly comprise civil service salaries and social safety net benefits. Electronic payment processing and delivery not only provide the government with the ability to audit the payments trail, monitor budget execution and improve expense forecasting, but also strengthen the country’s financial institutions, foster financial inclusion and provide an impulse towards the development of cashless payments ecosystems in the retail sector. This is currently part of the Government of the Islamic Republic of Afghanistan (GoIRA) three-year reform matrix supported by the Incentive Program Development Policy Grant (IP DPG; P164882). Moreover, facilitated person-to-government (P2G) payments can also have a catalytic effect to facilitate transparent and effective revenue collection.

**11. Salaries of civil servants make up the most of G2P payments and will therefore be the primary focus of this operation.** The Afghan civil service (excluding security sector) comprised 400,439 employees in 2017. The annual cost of the core civil service was about US\$800 million in 2017.<sup>3</sup> The median salary is AFN10,000 and paid on a monthly basis. Pensions represent the second largest G2P outflows in terms of amount paid to the recipient, while payments to Martyrs’ survivors and Disabled are the second largest in terms of number of beneficiaries. Pension payments represented AFN 10.8 billion (US\$160 million) in 2018 and budgeted to reach AFN 12.7 billion (US\$185 million) in 2019. The existing 152,909 pensioners are paid annually. Finally, the 281,114 Martyrs’ Survivors and Disabled received AFN 16 billion in 2018 (US\$ 235 million). The latter two G2P program have been managed by the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) until this year. Going forward, they will be managed by the Ministry of Finance Pensions Department and the newly created Martyrs & Disabled Authority.

**12. Currently salary payments are predominantly cash-based and processed manually.** Currently 40% of salary payments is paid in cash. Even for salaries that are paid through electronic channels, the salary payment process is mostly manual. The general process – for all Line Ministries and Independent Agencies (LMAs) – is described hereafter. Based on the attendance sheets, line ministries and agencies prepare the M41 forms (payroll forms), which upon verification are used to complete the M16 forms (payment order).

- For employees paid through direct deposit, Ministry of Finance (MoF) Directorate General of Treasury (DGT) manually instructs the Central Bank (DAB) to initiate a direct transfer from the government’s payroll account to the commercial banks for the aggregate salary amount for employees who own accounts at these banks. The respective commercial banks will liaise with DAB to be able to credit the employees’ accounts.
- For employees paid by cash, DGT issues a check, drawn on the government’s account at DAB, to the “bonded trustee”, who cashes it out and distributes the money to the eligible civil servants on a prescribed pay day at their workplace. This model, in addition to incurring significant costs on the government’s side, depends to a great extent on the honesty of bonded trustees.

**13. Different approaches to G2P digitization have been tried and tested in Afghanistan; a comprehensive approach would enhance their effectiveness and scalability.** The two large-scale ongoing initiatives are led by the Ministry of Education (MoE), and the Combined Security Transition Command – Afghanistan<sup>4</sup>. An initiative,

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<sup>3</sup> Aggregate expenditure on civilian salaries and allowances in 2016 was approximately AFN 65.84 billion (US\$969 million), including allowances and overtime. Wages and salaries for the civil service, as well as police and military have been estimated at about AFN 201 billion (US\$3 billion) in 2019.

<sup>4</sup> This concerns Afghan National Defense and Security Forces and Ministries of Defense and Interior employees.



which the proposed operation will build on, relates to the Pension Administration and Safety Net (PASN) Project<sup>5</sup>. Through the PASN project, MoLSAMD has put in place a new and automated mechanism of registration, verification, benefit determination, claims processing and benefit delivery through a new pension management information system (PMIS) that is enabled with biometric verification of pensioners. Close to 153,000 pensioners have been registered in the PMIS and are paid via bank account, of which 126,000 have been biometrically-verified<sup>6</sup>. The PASN project provided insights into the potential benefits that could be expected upon setting up a robust digital payments platform. This project was successful in cleaning the beneficiary list and moving away from cash-based payments. It was however affected by the single-channel delivery model (i.e. one payment provider only; in this case payments were made by only one bank), which poses the recurring constraint (identified across pilots) of the lack of a wide network for cash-out and payment purposes.

**14. Recently, the World Bank has been involved in discussions related to the Mobile Salary Payments (MSP) initiative at the MoE,** along with Government stakeholders and the Mobile Salary Payments Research Team (MSPRT) which has been advising the government on this. The MSP project comprises of: (i) registering the biometric and biographic information of MoE employees receiving salary payments; (ii) opening mobile money wallets for them; and (iii) paying the salaries into those mobile wallets. Mobile network operators (MNOs) have been contracted to conduct all three activities against a registration fee and a transaction fee; and in return have been requested to set up agent networks in the targeted provinces and secure adequate liquidity. The MoE has committed to the payments of salaries of 160,000 employees only through mobiles. Contracts have already been signed with MNOs to cover 32,000 Ministry of Education payroll staff in the Kandahar, Nangarhar and Parwan provinces, out of which 20,000 are planned to be enrolled by mid-2019. The World Bank has been consulted on the technical aspects of this initiative, in the context of the overall Mobile Salary Payments initiative led by the government with the support of the MSPRT. Challenges associated with reliable identity verification at the time of registration and limited payment channels have posed many challenges for roll-out at this scale.

**15. End-to-end automation, leveraging digital financial services and the use of biometrically-enabled digital IDs are the necessary ingredients of a comprehensive approach to streamlining G2P payments.** The *Action Plan for Developing Digital Finance in Afghanistan*, which was jointly prepared by the World Bank and Government following 18 months of high-level policy dialogue on digital payments in Afghanistan and completed in April 2018, is informing the design of PAISA project. In particular, the proposed operation will address key challenges raised in terms of (i) governance and integrity of government cash payment systems; (ii) promotion of cashless (digital) payments; (iii) scale and delivery network by leveraging the private sector. The World Bank is providing technical support to the Government on MSP pilots or roll-outs to take on lessons learned from pilots and ensure continuity with ongoing work. The existing legal and regulatory framework would need to be strengthened to fill existing gaps in terms of data privacy and consumer protection.

**16. The proposed operation requires strong coordination within government and fits within a broader civil service reform agenda.** Proper sequencing between the project and parallel engagements related to civil servants is essential. These include, in addition to those already abovementioned, the Tackling Afghanistan's Government HRM and Institutional reforms project (TAGHIR, P166978) and the Education Quality Reform in Afghanistan project (EQRA, P159378). The TAGHIR project seeks to establish a national Human Resource Management

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<sup>5</sup> The Afghanistan Pension Administration and Safety Net Project (PASN, P113421) provided support to MoLSAMD to modernize the public pension system.

<sup>6</sup> The Martyrs and Disabled Authority intends to continue the registration and biometric verification process for up to 320,000 beneficiaries.



Information System (HRMIS) which is being developed by the Civil Service Commission (CSC) and will be essential to achieve full automation and reliability of salary payments. Once operational, the proposed PAISA would ultimately support the integration of relevant systems at MoF and DAB with the HRMIS. As part of project preparation, agreement has been reached between MoF, CSC, DAB and the National statistics and Information Agency (NSIA). This agreement will be formalized into a Presidential Decree by Project Negotiations.

### C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

#### 17. PAISA is expected to contribute to:

- Percentage of civil servants and pensioners registered and issued a unique identifier for payment purposes
- Increased efficiency in government payments, as measured by the percentage of civil servants and pensioners who received government payments through electronic channels (of which female)
- Increased capacity for electronic payments, as measured by the number of registered payment service providers<sup>7</sup> (of which female)

**18. The PAISA project aims to introduce a government-wide comprehensive framework for digital payment of salaries.** This proposed approach consists of: Component 1) establishing a biometric identification system for civil servants and pensioners, which could be extended to other recipients of government transfers such as Martyrs and Disabled; Component 2) integrating the identification system with the verification and payment systems – AFMIS (Afghanistan Financial Management Information System) and HRMIS – to achieve straight-through processing of salary payment instructions; Component 3) providing support and incentives for the expansion of financial access points (cash-out and payment locations), as a move away from single-channel G2P payment delivery. Technical assistance will be provided to relevant stakeholders in each of the thematic components, in addition to communications, outreach and financial education related to project activities (biometric identification, digital payments, agent network, etc.). The project builds upon the long-standing support of the World Bank that has been extended to GoIRA and DAB in the areas of payment systems and public financial management. The PAISA project will concern salary payments for only civil servants (excluding the military or police), and pension payments. However, the infrastructure and delivery channels supported by PAISA will benefit all G2P payments if paid electronically.

**19. Implementation of the PAISA project will be sequenced (both by components and by LMAs) and geographically phased.** The proposed sequencing is driven by the complex security environment of Afghanistan and will take into account the varying capacity of stakeholders involved in the implementation and uneven development and reliability of infrastructure across the country. The sequencing assumes that the HRMIS system, responsible for payroll management and allowing the elimination of potentially ineligible salary payment recipients, will not be initially available. As such, the implementation of PAISA will comprise two broad phases:

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<sup>7</sup> Electronic money outlets include mobile money agents, certified merchant agents and other payment service providers. Certified merchant agents will be a new category of payments agents that will be registered with the central bank (DAB). These are mainly existing and future retail businesses.



first, as an interim solution, the biometric database will be connected directly to the legacy systems operated by individual ministries. Once HRMIS is operational, it will act as the central hub connecting individual ministries with the biometric database to enable the de-duplication (unique identification) and biometric authentication of salary payment recipients.

### **Component 1: Biometric identification system (US\$12 million)**

20. To prevent duplicative, excessively costly, and less secure biometric registration efforts across different parts of the government, a single government entity, the NSIA has been given the mandate for storing and managing all civil servants' and pensioners' biometric – and a minimal set of biographic - data and for facilitating real-time biometric authentication of payment recipients. The component will support:

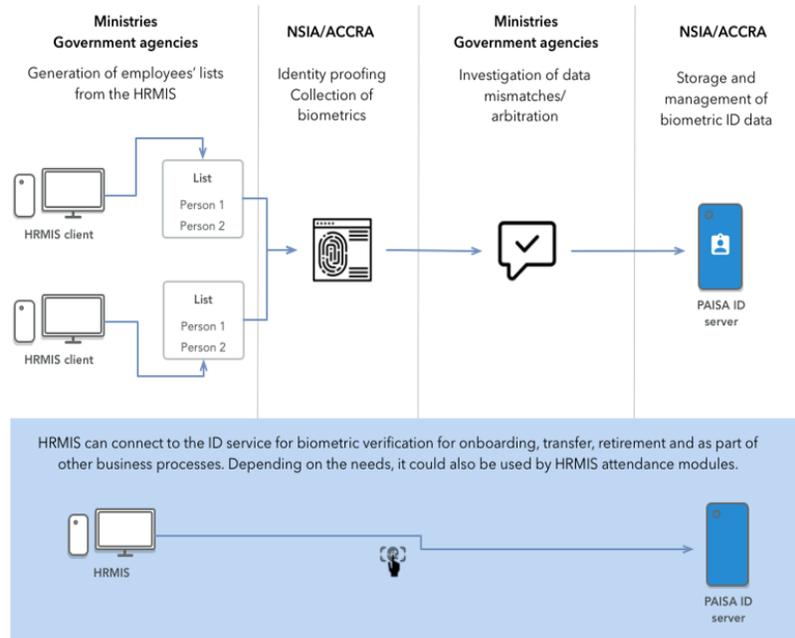
- **the development and implementation of a biometric identification system for recipients of government salaries and transfers, with the biometric registry hosted and managed by NSIA.** The ID system will be designed and implemented in a technology- and vendor-neutral manner and use open standards to reduce costs, prevent vendor lock-in, and facilitate interoperability with current and existing identification systems in Afghanistan, including the e-Tazkera<sup>8</sup>.
- **the enrollment of new registrants and, where possible, the migration of already collected biometric and biographic data of civil servants and pensioners** to the new registry as soon as NSIA has built up the necessary data storage and management capacity. The feasibility assessment for data migration and the development on NSIA readiness indicators for the data transfer will be part of the activities supported by the project. NSIA will strive to utilize existing biometric registration infrastructure and resources available at other public and private entities for future data collection and updating. To enable this multi-stakeholder enrollment strategy, NSIA will develop an enrollment plan in close collaboration with the Civil Service Commission, the Ministry of Finance, Asan Khedmat, as well as all relevant LMAs.
- **the strengthening of data and identity management capacity of NSIA as well as its data storage, management, and exchange infrastructure** to enable the effective implementation of the proposed biometric identification system.

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<sup>8</sup> Given the low coverage and slow pace of take-up of the e-Tazkera and relatively low level of robustness of the 'paper Tazkera' system, combined with the pressing need to deliver G2P payments more efficiently as well as to foster financial inclusion, the biometric ID system supported by the project will focus on unique identification and accurate authentication with the dedicated purpose of enabling more effective, secure, and transparent payment delivery. The use of international standards, including for biometric data collection and storage, will help ensure that data collected for the purpose of implementing PAISA is interoperable with existing and planned registries.



## Biometric registration of civil servants



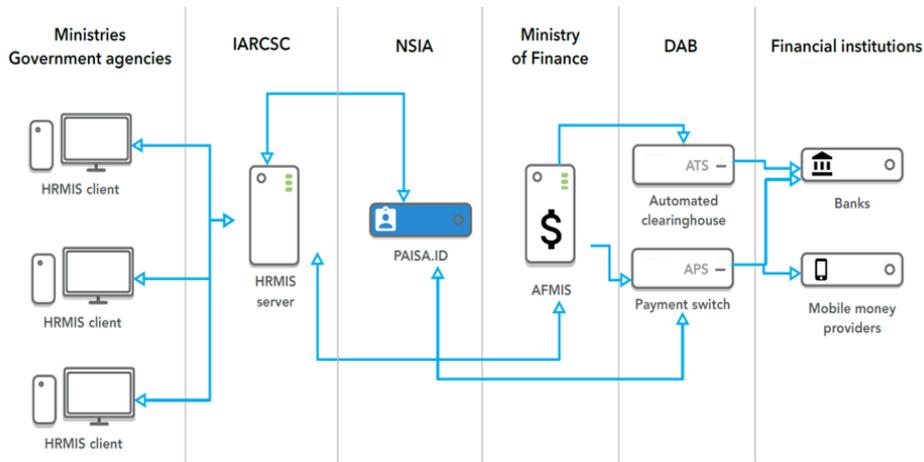
### Component 2: Integration of the Identification, Verification and Payment Systems (US\$12 million)

21. The second component will focus on the integration of various systems playing different roles in the salary payments process to achieve full-fledged straight-through processing (STP).<sup>9</sup> The work under this component will also aim to ensure that government departments responsible for the preparation and processing the payroll data are fully ready to embrace the newly automated processes. As the Ministry of Finance and the central bank share key responsibilities for government payments, activities under this component will be split into two key subcomponents, each of them implemented by the respective agency. Within MoF, this subcomponent will support: the development of an enhanced payment module in AFMIS, integration between HRMIS and AFMIS, in-depth diagnostics and development of integration roadmap for the Pensions, and the Martyrs and Disabled (M&D) Management Information Systems, as well as capacity building with respect to government payments management at the MoF. With DAB, in support of the National Payments Infrastructure, the component will support the integration between the APS switch and the biometric ID database, the integration between the banking system and e-money providers, the AfPay scheme development and capacity building for DAB and financial institutions.

<sup>9</sup> STP is defined by the Committee on Payments and Market Infrastructures as “automated end-to-end processing of payment transfers, including the automated completion of confirmation, matching, generation, clearing and settlement of instructions, without the need for re-keying or reformatting data”. Thanks to that, the government will be ready to process salary payments end-to-end, without any needs for manual interventions beyond legally-prescribed verification processes.



### Integration of identification, payroll and payments architecture



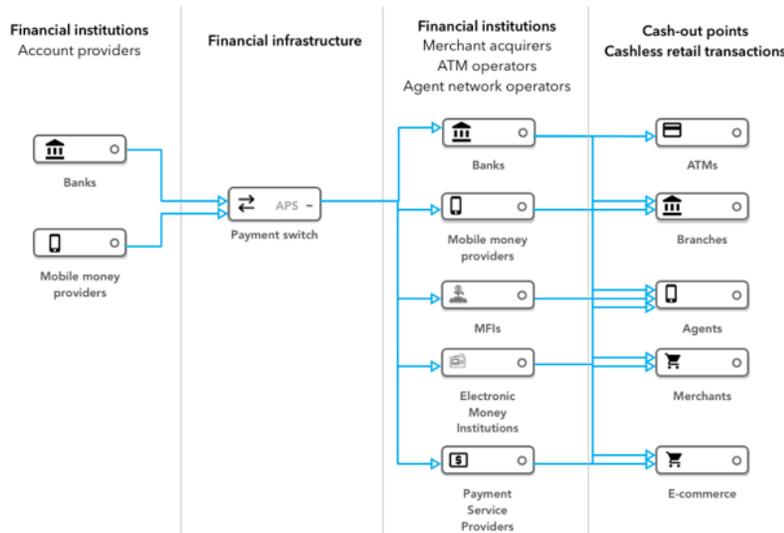
### Component 3: Expansion of financial services and access points (US\$17 million)

22. Digital payment of salaries will not succeed unless it is ensured that the recipients have convenient, easy and safe access to the funds stored on their bank account and mobile wallets. This include the possibility of cashing out a part or the entirety of their salary, as well as the opportunity to make use of their account balance to pay bills, remit money or purchase goods and services using cashless payment methods. On the other hand, a critical mass of payment service providers should be connected to the interoperable system. This component aims to address demand and supply-side constraints, and is thus essential to increase access to and usage of digital payments including providing - transitional - smart incentives and encouraging innovations. Furthermore, increasing access points in currently underserved areas will increase financial resilience to climate change and other extreme events.

23. **The third component aims to ensure that, with the shift to electronic payments, all civil servants— particularly including those hitherto paid by “bonded trustees”— and pensioners can either: (1) safely and conveniently withdraw cash from their account in a place that is close to them; or (2) use the balance on their accounts to make cashless payments for goods and services.** To that end, this component aims to support the establishment of agents of financial institutions throughout the country, with emphasis in underserved areas, and accordingly provide incentives to further develop a cashless payments ecosystem in Afghanistan. This component will cover activities relating to (i) the **development of the access point expansion strategy** to produce a detailed roadmap of activities aimed at increasing the numbers of access points (ATMs, agents, merchants) in the areas most affected by financial exclusion, (ii) **development of an agent/cash-out point monitoring platform**, which will monitor geographical coverage of existing financial access points and their liquidity, as well as contribute to addressing AML/CFT concerns and (iii) **incentive program for cash-out points**. This activity will offer incentives to financial institutions to establish financial access points (cash-out points: agent locations, branches or ATMs), particularly in the financially-excluded areas. This program will also provide **incentives for cashless payments**. Competitively-selected payment service providers will receive financial incentives during the project lifetime in exchange for creating opportunities to electronically pay for purchased good and services. Incentives will be higher for those present in remote or underserved areas and segments of the society.



## More cash-out opportunities and greater cashless acceptance



PAISA will launch programs providing incentives to:

- Expand opportunities for electronic (cashless) payments in Afghanistan
- Increase the number of cash-out points in remote areas

### Component 4: Project management (US\$9 million, to be reviewed during appraisal)

24. This component will provide support for the overall monitoring and coordination of Project activities, including third party monitoring and development of a grievance redress mechanism. This component will also support the development a comprehensive Business Continuity Plan (BCP) for the various system components and incorporating these into the BCP plans for the various other system components like APS, DAB systems and HRMIS. This includes the monitoring and coordination of project activities undertaken by beneficiary institutions (including project steering committee).

### E. Implementation

#### Institutional and Implementation Arrangements

25. **The project will be implemented through MoF (components 1, 2a and 4) and DAB (components 2b and 3) without the use of a Project Implementation Unit (PIU).** Within MOF, the Directorate General of Treasury – DGT - has been the key driver for efforts on reforming digital payments of civil servants for the past four years and has gained extensive experience in implementing projects for the digitization of the national financial management system. For components 2b and 3, DAB will leverage the internal capacity that was developed as part of the efforts to build and modernize the national payments system under the Financial Sector Rapid Response Project (FSRRP). The FSRRP team within DAB will coordinate efforts within DAB towards smooth implementation of DAB’s related components under this project. Focal points designated by MoF and DAB for the implementation of the PAISA project – in addition to supplementary technical experts and contractual staff, will constitute the PAISA Project Implementation Team. the Implementation team will be responsible for preparing and applying an operations manual that will delineate a project implementation plan, coordination modalities, financial management/ flow of funds among main and supporting implementing entities, procurement, and M&E.



**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

Most of the project activities will be implemented in the country capital Kabul, with the exception of (i) the biometric registration of civil servants and pensioners, and (ii) and the expansion of the payment network -- both of which will be rolled-out throughout the country. However, the project activities themselves will not have any direct environmental impacts and thus there is no need to trigger any safeguard policies. Since the project does not directly affect the population and focuses on the digitization of civil servants salary payments, possible grievances would likely be limited to civil servants and pensioners who are adversely affected by the project, through the receipt of their payments. The project team will ensure the development of an effective GRM system to respond to any grievances.

**G. Environmental and Social Safeguards Specialists on the Team**

Mohammad Arif Rasuli, Environmental Specialist  
Qais Agah, Social Specialist

**SAFEGUARD POLICIES THAT MIGHT APPLY**

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	The project will not involve any works or technical assistance that would have downstream Environment and Social impacts and risks.
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	No	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	No	
Physical Cultural Resources OP/BP 4.11	No	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	No	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	



## KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

n/a

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

### B. Disclosure Requirements

### C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

#### The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

NA

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

NA



### All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

NA

Have costs related to safeguard policy measures been included in the project cost?

NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

NA

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**APPROVAL**

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