

AFGHANISTAN COUNTRY PORTFOLIO PERFORMANCE REVIEW (CPPR)

March 2014

Afghanistan Portfolio

- The Bank oversees a robust program of portfolio of 37 ongoing operations covering a wide range of sectors including policy and investment projects - (*IDA-10, ARTF-13, Co-financed by IDA/ARTF-9, and other TFs-5*).
- Manages net commitments of US\$3 billion - primarily financed through IDA and ARTF – IDA - *US\$1 bn, ARTF - US\$1.9 bn, and Other TFs - US\$50 m*).
- All programs financed are government programs and financed through the budget.
- Operations closely aligned with Afghanistan National Development Strategy (ANDS) & the National Priority Programs (NPPs).

IDA and ARTF Engagement Strategy

- Next Interim Strategy Note preparations will start in FY15 – soon as the new government is in place.
- Preparations already ongoing for the next 3-year ARTF Financing Strategy covering FY1394 – 1396.
- As a follow-up of the ARTF Scorecard – ongoing discussions with donors on portfolio performance, use of country systems and results monitoring, and results of the current CPPR, this to feed into next ARTF Financing Strategy.

Portfolio Overview

- Since April 2002 IDA has committed \$2.7 bn and ARTF \$6.2 bn.
- Commitments/Disbursements as of December 2013:
 - IDA: \$1 bn/\$518 m
 - ARTF:
 - ✓ Investment Window - \$1.9 bn/\$1.1 bn
 - ✓ Recurrent Cost Window - \$3.1 bn/\$2.9 bn
- Total outstanding commitments (undisbursed under active operations): IDA \$521m, ARTF \$871.6 m

2013 CPPR – Objective and Scope

- Following last year's PPR, this CPPR was focused to:
 - identify issues impeding smooth project implementation in the portfolio with a view to understanding and addressing the underlying causes;
 - assess the risks that the identified issues pose to the future health of the portfolio; and
 - Agree on a set of actions necessary to address the identified issues and mitigate the risks to the portfolio.

- A three-step approach taken:
 - Preparation – a number of themes identified for analysis by teams, identifying issues.
 - Technical Discussion – based on analysis, a series of cross sectoral meetings held and agreed on key actions under each thematic area
 - Discussion with Government – Findings of the internal review to be shared and discussed with MoF outlining key issues and suggested actions, followed by discussions with key line ministries

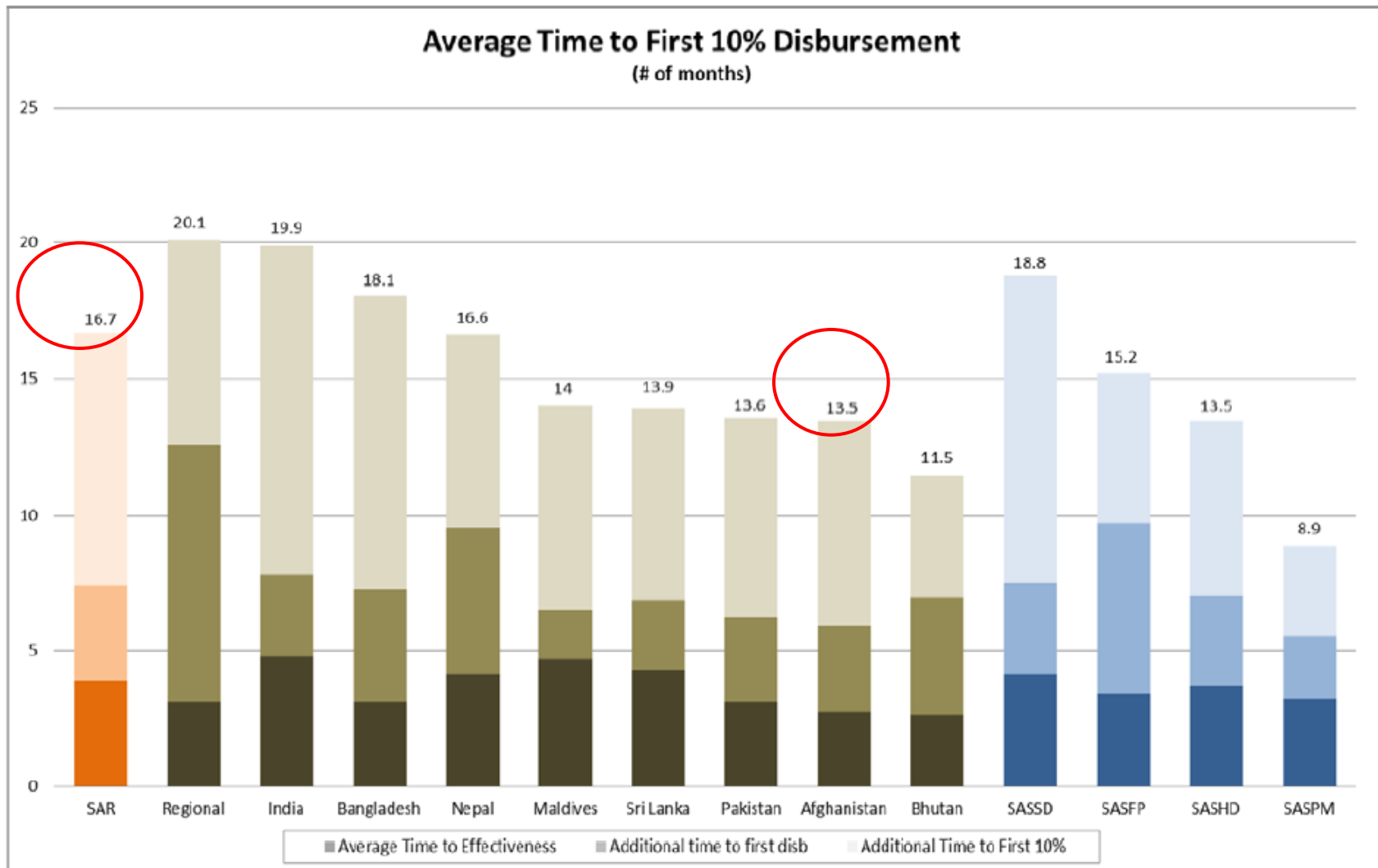
- Based on the review and discussions, several key findings were identified and actions agreed under each thematic area.

I. Implementation and Results of On-going Projects

The following are the key messages and recommended actions based on the review carried out by our Quality Team and the discussions

- **Quality at Entry:** Readiness filters -Teams prepare and agree upon Project Operations Manual and procurement plan, with realistic implementation periods and disbursement schedules; M&E Systems and capacity is in place (appropriate project staff identified, and if possible appointed) by Negotiations.
- **Implementation Support:** the need for Management attention
 - ✓ CMU/SMs/TTLs monitor basic indicators to detect implementation problems early to address them early, plan MTRs early
 - ✓ QERs for MTRs to assess progress and ensure commitment from government
 - ✓ Improve quality standards of ISRs and AMs – with DO/IP ratings supported by evidence on actual progress on implementation, disbursements, and results
- **Managing for Results:**
 - ✓ Systemic support on M&E and results – focus on the quality of Results Framework
 - ✓ Capacity support/building of staff and clients - joint training/workshops to develop and implement Results Framework and adequate M&E systems within the first year of project
 - ✓ Collect baseline and progress data on key results indicators to show progress in achievement of PDO and apply/learning lessons from ICRs.

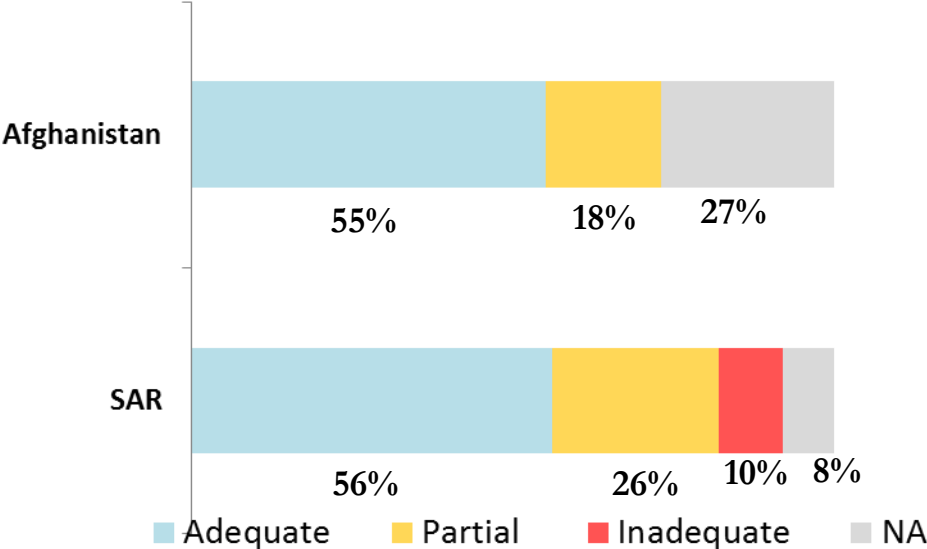
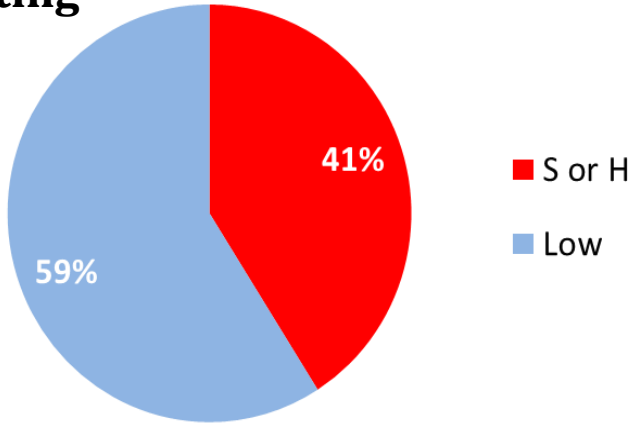
Readiness for Implementation



Project Risks

55% of projects in the in Afghanistan portfolio have adequate identification of risks

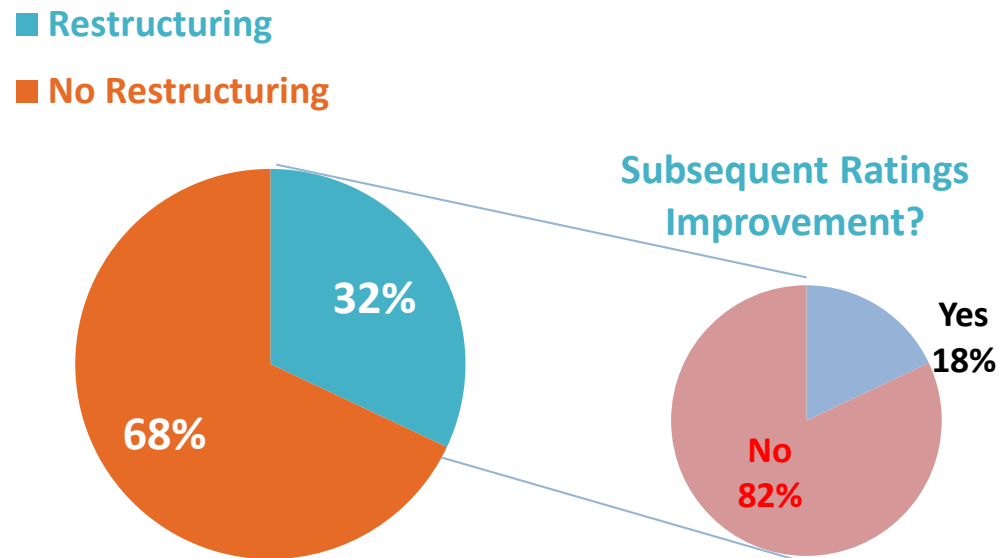
SAR Portfolio Risk Rating



Pro-activity

- 32 % of project in the Afghanistan portfolio have been restructured , showing good proactivity. However, only 18% of restructured projects are showing a subsequent improvement in ratings.

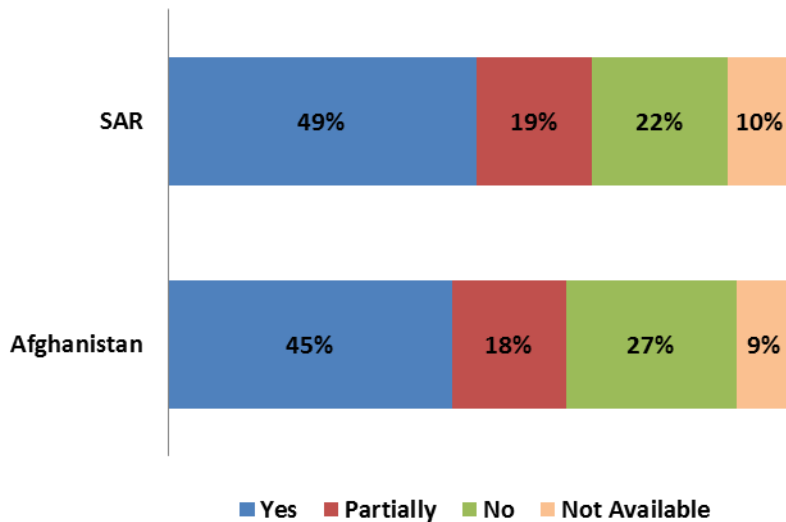
Analysis of Afghanistan Portfolio Restructuring



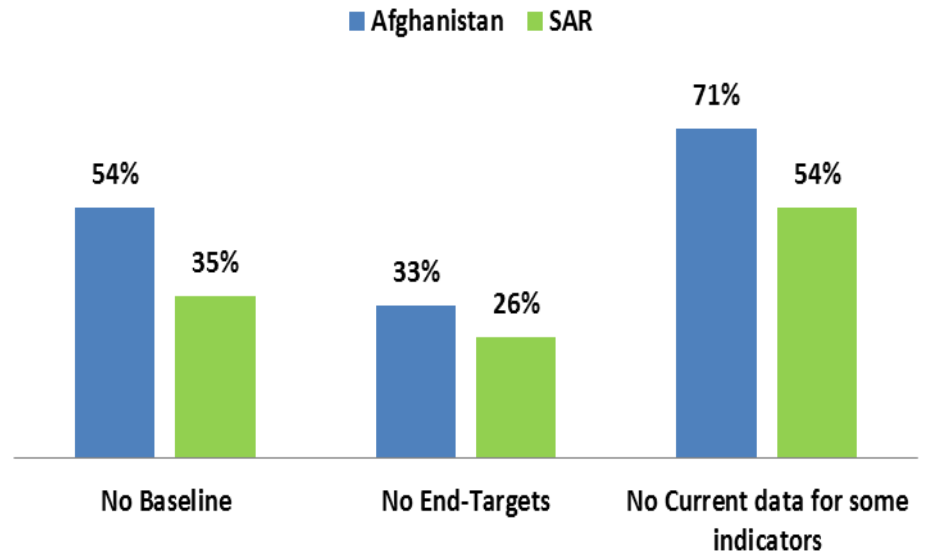
M&E Performance

- ☐ Almost half of Projects starts without adequate M&E arrangements

Adequacy of M&E Arrangements

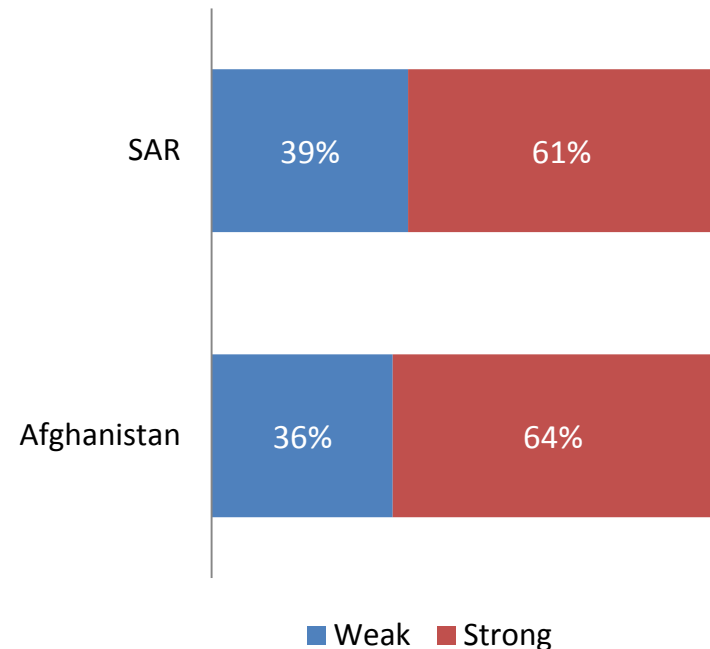


M&E Performance



Government Ownership

- ❑ **Weak Client Commitment:** projects on the edge of the immediate government concerns such as climate change and environmental projects , including:
 - Missing counterparts funds
 - Lack of urgency to address implementation issues
 - Missing key staff
- ❑ Afghanistan portfolio shows **approximately the same degree of client commitment** (at 64%) compared to overall SAR portfolio (at 61%)



II. Project Development Objective Review

- A review of the active projects (IDA/ARTF) in the portfolio was carried out to establish progress towards targets, use results indicators and identify potential problem projects. The following are the main following actions were agreed:
 - Teams/sectors to work on use of core indicators;
 - Future Midterm Reviews to revisit results frameworks and simplify to remove indicators that are not needed and/or being measured;
 - Implementation Support Missions (ISMs) to carry out more in-depth M&E assessments of projects, ensuring that 75% of results framework are at output level and 25% of indicators are at outcome/impact level.
 - Assigned staff to identify existing sources of data for surveys and baselines.
- The Bank will work to identify Government entities working on data collection to learn from their experiences and identify areas for collaboration. A plan will be developed for this process.

III. HR, Salary Scales and Gender in Projects

Following up on key actions from last year's PPR (CBR salary scales and alignment of HR guidelines across projects), the following new recommendations and follow-up actions were agreed:

- The Bank to lay out the responsibilities of MoF/line ministries/Bank Teams on disseminating and implementing the HR Guidance Note, including dissemination of a translated version (Dari and Pashto) to all staff in projects.
- The Bank to make revisions in the HR Guidance Note to reflect gender issues identified
- The Bank to organize information session/training for Bank and project staff on the HR Guidance Note use and Implementation.
- The Bank will explore the possibility to review line ministries' HR capacity needs and provide capacity building support linking it to the need for institutional capacity assessments at the time of project design.

IV. Financial Management and Disbursements

Disbursements continue to face challenges with delays most often caused by the allotment process. An ongoing review by FM and PR focusing on disbursement processes, provided the basis for the following agreed actions:

- FM team to prepare a set of realistic recommendations on more efficient allotment/disbursement processes.
- FM to continue facilitation with line ministries and consider possible incentive structure based on performance indicators for specific control functions to speed up the processes.
- MoF's Budget Department to prepare clear procedures and establish an electronic tracking system in Treasury and the Budget Department.
- FM Team in consultation with MoF, to develop a communication strategy to improve communications between MoF and the line ministries.
- MoF to clarify role of Controllers and ensure it is aligned with their mandates.

V. Procurement

Procurement processes continue to result in delays in implementation and disbursements. Various factors were identified and based on analysis and recommendations, the following actions were agreed:

- The Bank will work with the Attorney General's Office to address/clarify their mandate, and agree on a common procurement protocol outlining the role of oversight agencies in procurement processes;
- Procurement Team will coordinate workshops/training for Bank and project staff on procurement processes and systems, including the use of SEPA (contract management system).
- The Bank to initiate migration of procurement functions from PMUs/PIUs to line ministry departments for increased capacity building.
- Procurement Team to report on application of framework contracts in Afghanistan.

VI. Supervision and Third Party Monitoring

The security situation and the remoteness of many provinces in Afghanistan pose significant challenges to project supervision and thus a need to ensure efficient use of available resources and use of creative approaches to supervision using ICT, remote monitoring etc. The following actions were agreed:

- A new World Bank guesthouse open in March 2014 in Mazar-e-Shariff to allow staff to carry out field visits in Northern Afghanistan;
- New projects to include in the concept note a Supervision Complexity Matrix and detailed supervision plan;
- A Supervision Toolbox will be prepared outlining flexible approaches for improving project supervision;
- The ARTF Supervisory Agent will submit an analysis of outreach from Mazar and Kabul, focusing on security incidents in the last 12 months to inform field visit planning;
- Staff will be trained on the use of the Supervisory Agent database to ensure it is used more efficiently in project supervision.

VII. Legal Covenants

A comparative analysis was carried out of the use of legal covenants across the portfolio to identify discrepancies and agree on best practices going forward. The following actions were agreed based on this:

- The use of Operations Manuals/Project Implementation Manual to be determined at concept stage;
- An institutional capacity assessment to be completed by Appraisal alongside FM and PR assessments;
- For implementation:
 - ✓ (i) Finalize fiduciary arrangements as a condition for negotiation; and
 - ✓ (ii) Legal covenants are established to support critical actions, and are clearly defined with realistic deadlines as applicable (as a dated covenant or condition of disbursement);
- Readiness filters to be developed including FM Manual, Project Implementation Manual, Safeguards and core staff.

Outstanding Issues

- Two issues identified for analysis during CPPR are still outstanding:
 - Safeguards Review;
 - The Bank's Integrity Vice Presidency is carrying out a review of the Afghanistan portfolio focusing on prevention and possible preventive measures.
- Results of these two reviews will be shared when ready

Next Steps

- Donor discussions w. Strategy Group
- Government (MoF) discussion and agreement on key actions
- Meetings with select line ministries, led by MoF
- Implement key actions
- Report back on progress