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Report No: PAD1831

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED ARTF GRANT

IN THE AMOUNT OF US\$ 5 MILLION

TO THE

ISLAMIC REPUBLIC OF AFGHANISTAN

FOR A

TECHNICAL ASSISTANCE FACILITY (TAF)

June 27, 2016

Governance
SOUTH ASIA

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 26, 2016)

Currency Unit = Afghani (AFN)

AFN 68.52 = US\$ 1

FISCAL YEAR

March 21 – March 20

ABBREVIATIONS AND ACRONYMS

AFMIS	Afghanistan Financial Management Information System
ARTF	Afghanistan Reconstruction Trust Fund
BC1	Budget Call Circular 1
CBR	Capacity Building for Results Project
DA	Designated Account
DAB	Da Afghanistan Bank
EOI	Expression of Interest
FM	Financial Management
FY	Fiscal Year
GRM	Grievance Redress Mechanisms
HEC	High Economic Council
ICT	Information Communication Technology
IEG	Independent Evaluation Group
IOC	Incremental Operating Costs
IPF	Investment Project Financing
ISN	Interim Strategy Note
JCMB	Joint Coordination and Monitoring Board
M&E	Monitoring and Evaluation
MFPD	Micro Fiscal Performance Directorate General
MOF	Ministry of Finance
MTBF	Mean time between failures
MTFF	Mean time to first failure
MTR	Mid-Term Review
NCB	National Competitive Bidding
NDS	National Development Strategy
NPA	National Procurement Authority
NPP	National Priority Program
O&M	Operation and Maintenance
OBI	Operational and Business Intelligence
PCN	Project Concept Note
PDO	Project Development Objective
PER	Public Expenditure Review
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PICGD	Programs Implementation and Coordination General Directorate
PIU	Project Implementation Unit

PMF	Performance Management Framework
PMT	Performance Management Team
POM	Project Operations Manual
SBDs	Standard Bidding Documents
SDU	Special Disbursements Unit
SMAF	Self-Reliance through Mutual Accountability Framework
TA	Technical Assistance
TAF	Technical Assistance Facility
TAFSU	Technical Assistance and Feasibility Support Unit
TMAF	Tokyo Mutual Accountability Framework
TORs	Terms of Reference
TTL	Task Team Leader

Regional Vice President:	Annette Dixon
Country Director:	Robert J. Saum
Senior Global Practice Director:	Deborah L. Wetzel
Practice Manager:	Alexandre Arrobbio
Task Team Leader:	Yousif Mubarak Elmahdi; Mohammad Omar Joya

AFGHANISTAN
Technical Assistance Facility (TAF)

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PAD DATA SHEET

Afghanistan

Afghanistan Technical Assistance Facility (P157035)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA

0000009305

Report No.: PAD1831

Basic Information			
Project ID P157035	EA Category C - Not Required	Team Leader(s) Yousif Mubarak Elmahdi, Mohammad Omar Joya	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 01-Jul-2016	Project Implementation End Date 30-Jun-2020		
Expected Effectiveness Date 01-Jul-2016	Expected Closing Date 30-Jun-2020		
Joint IFC No			
Practice Manager/Manager Alexandre Arobbio	Senior Global Practice Director Deborah L. Wetzel	Country Director Robert J. Saum	Regional Vice President Annette Dixon
Approval Authority			
Approval Authority ARTF Management Committee Decision please explain Approval Authority is the ARTF Management Committee which is equivalent to the Board for ARTF-financed projects. Per ARTF arrangements, final Bank clearance prior to ARTF Management Committee Approval is at CD-Level.			
Borrower: Islamic Republic of Afghanistan			

Responsible Agency: Ministry of Finance										
Contact: Khalid Payenda			Title: Director General for Macro Fiscal Performance							
Telephone No.: 0093793410840					Email: Khalid.payenda@gmail.com					
Project Financing Data(in USD Million)										
<input type="checkbox"/> Loan		<input type="checkbox"/> IDA Grant		<input type="checkbox"/> Guarantee						
<input type="checkbox"/> Credit		<input checked="" type="checkbox"/> Grant		<input type="checkbox"/> Other						
Total Project Cost:		5.00			Total Bank Financing:			0.00		
Financing Gap:		0.00								
Financing Source						Amount				
Borrower						0.00				
Afghanistan Reconstruction Trust Fund						5.00				
Total						5.00				
Expected Disbursements (in USD Million)										
Fiscal Year	2017	2018	2019	2020	0000	0000	0000	0000	0000	0000
Annual	1.40	1.20	1.20	1.20	0.00	0.00	0.00	0.00	0.00	0.00
Cumulative	1.40	2.60	3.80	5.00	0.00	0.00	0.00	0.00	0.00	0.00
Institutional Data										
Practice Area (Lead)										
Governance										
Contributing Practice Areas										
Macro Economics & Fiscal Management										
Cross Cutting Topics										
<input type="checkbox"/> Climate Change										
<input checked="" type="checkbox"/> Fragile, Conflict & Violence										
<input type="checkbox"/> Gender										
<input type="checkbox"/> Jobs										
<input type="checkbox"/> Public Private Partnership										
Sectors / Climate Change										
Sector (Maximum 5 and total % must equal 100)										
Major Sector				Sector		%	Adaptation Co-benefits %		Mitigation Co-benefits %	
Public Administration, Law, and Justice				General public administration sector		100				

Total	100
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.	
Themes	
Theme (Maximum 5 and total % must equal 100)	
Major theme	Theme %
Public sector governance	Public expenditure, financial management and procurement 60
Economic management	Debt management and fiscal sustainability 20
Economic management	Macroeconomic management 20
Total	100
Proposed Development Objective(s)	
The development objective is to strengthen the fiscal management and the budget planning performance of the Government of Afghanistan.	
Components	
Component Name	Cost (USD Millions)
Component 1: Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General	3.90
Component 2: Supporting the Continuous Improvement of the Programs Implementation and Coordination General Directorate	1.10
Systematic Operations Risk- Rating Tool (SORT)	
Risk Category	Rating
1. Political and Governance	High
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Low
8. Stakeholders	Substantial
9. Other	
OVERALL	Substantial

Compliance				
Policy				
Does the project depart from the CAS in content or in other significant respects?			Yes []	No [X]
Does the project require any waivers of Bank policies?			Yes []	No [X]
Have these been approved by Bank management?			Yes []	No [X]
Is approval for any policy waiver sought from the Board?			Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?			Yes [X]	No []
Safeguard Policies Triggered by the Project		Yes	No	
Environmental Assessment OP/BP 4.01			X	
Natural Habitats OP/BP 4.04			X	
Forests OP/BP 4.36			X	
Pest Management OP 4.09			X	
Physical Cultural Resources OP/BP 4.11			X	
Indigenous Peoples OP/BP 4.10			X	
Involuntary Resettlement OP/BP 4.12			X	
Safety of Dams OP/BP 4.37			X	
Projects on International Waterways OP/BP 7.50			X	
Projects in Disputed Areas OP/BP 7.60			X	
Legal Covenants				
Name		Recurrent	Due Date	Frequency
Description of Covenant				
Conditions				
Source Of Fund	Name		Type	
Description of Condition				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit

Yousif Mubarak Elmahdi	Team Leader (ADM Responsible)	Senior Public Sector Specialist		GGO18	
Mohammad Omar Joya	Team Leader	Economist		GMF06	
Aimal Sherzad	Procurement Specialist (ADM Responsible)	Procurement Specialist		GGO06	
Rahimullah Wardak	Procurement Specialist	Senior Procurement Specialist		GGO06	
Zohra Farooq Nooryar	Financial Management Specialist	Sr Financial Management Specialist		GGO24	
Atiqullah Ahmadzai	Team Member	Public Sector Specialist		GGO18	
Claudia Nassif	Team Member	Lead Country Economist		GMF06	
Elena Julve Lopez	Team Member	Consultant		GGO18	
J. W. van Holst Pellekaan	Team Member	Consultant		GGO18	
Juan Carlos Alvarez	Counsel	Senior Counsel		LEGES	
Mohammad Ateeq Zaki	Safeguards Specialist	Consultant		GSURR	
Nabila Zarifi	Team Member	Temporary		GGODR	
Extended Team					
Name	Title	Office Phone	Location		
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants Required ? Consulting services to be determined					

I. STRATEGIC CONTEXT

A. Country Context

1. **Afghanistan stands at a critical crossroads that risks undermining the country's recent development gains.** The political, security and economic transition undergone since 2012 has led to a marked regression in economic growth which fell sharply to 1.5 percent in 2015, as compared to an average 9.4 percent growth experienced in the pre-Transition period (2003-2012). Domestic revenues fell sharply between 2012 and 2014, leading to an increase in budget deficit which was partly financed by drawdown of cash reserves and accumulation of arrears. Business and consumer confidence has been strongly affected, and signs of a strong recovery are not in sight. While Government surpassed its 2015 revenue target, medium-term prospects for fiscal stability depend heavily on donor grant commitments as potential for revenue mobilization continues to be outpaced by the country's long-term financing needs.

2. **Afghanistan still relies heavily on foreign aid which has been critical to financing job creation, and service delivery.** Aid has dominated the Afghan economy for the past decade. Total estimated on and off budget spending was estimated at about \$9 billion in 2013, roughly 55 percent of GDP. Donor grant financing was about 45 percent of GDP. This was down from 60 percent of GDP in 2009. At present, aid finances a large part of security costs, except for about \$500 million per year contributed by the Government from domestic revenues. Aid also finances large parts of essential services including education, health, infrastructure investment, and the Government administration. The extraordinary level of aid also means that it finances large parts of economic activity and employment in Afghanistan. At the same time, such high aid flows have encouraged rent-seeking and corruption, aid dependence, and use of parallel systems to circumvent limited Government absorptive capacity.

3. **Aid is already down from peak levels and is projected to be drawn down further in the medium term, to about 25 percent of GDP by 2018.** As a result, fiscal sustainability has become a serious risk. Action is therefore needed in the area of expenditure prioritization - to restore fiscal stability and safeguard development progress. To address the medium term challenge of reducing dependence on external assistance, it will also be critical that more aid be channeled through the budget so it can be coordinated and prioritized together, and more goods and services can be procured within Afghanistan to boost the economy.

B. Situations of Urgent Need of Assistance or Capacity Constraints

4. **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 Afghan Government reform programme, entitled "*Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership*" provides a credible framework for improving security, political stability, economic and fiscal stabilization. The programme includes plans to advance good governance, including electoral reform and strengthening democratic institutions, promoting the rule of law, and respect for human rights, particularly in relation to women and girls, fighting corruption and the illicit economy including narcotics. These reforms are intended to pave the way for enhanced private sector investments and sustainable social, environmental and economic development. Specifically, 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.

5. **At the London Conference on Afghanistan in 2014, the International Community reaffirmed its Tokyo commitment of providing sixteen billion US dollars through 2015, and sustaining support, through 2017, at or near the levels of the past decade.** Going forward, the International Community

reiterated its commitment, as set out in the Tokyo Declaration, to direct significant and continuing but declining financial support towards Afghanistan’s social and economic development priorities through the Transformation Decade (2015 to 2024). Further, the International Community reaffirmed that its ability to sustain support for Afghanistan depends upon the principle of mutual accountability and the Afghan Government delivering on its commitments under the Tokyo Mutual Accountability Framework (TMAF) process.

6. **The Government faces significant challenges in managing these reform processes as transition moves forward.** As donors begin to reduce funding there is a growing urgency to change the role of aid. Significantly this includes reorienting technical assistance to support Afghan priorities as articulated in the budget and planning systems. This is will be critical for reforming development planning and management including improving strategic management, consolidating and streamlining priorities, and reducing development costs to increase cost effectiveness. Government will therefore face an increasing responsibility for the formulation of evidence-based policy making. To that end, while aiming for self-reliance is a long term goal, Afghanistan still needs to complement existing capacity with external specialized knowledge and expertise.

7. **The Government of Afghanistan, represented by the President and the Minister of Finance, demands specialized expertise.** This is especially required in the areas of macro fiscal policy management, budget prioritization, and development planning, which is not readily available in-house. This reflects the highly technical and specific nature of expertise required for the types of output to be undertaken which will need to draw upon the world’s collective knowledge of what meets state of the art standards. This necessity also responds to the current and increasingly difficult context in Afghanistan, whereby instability-induced emigration of qualified professionals is a growing trend.

C. Sectoral and Institutional Context

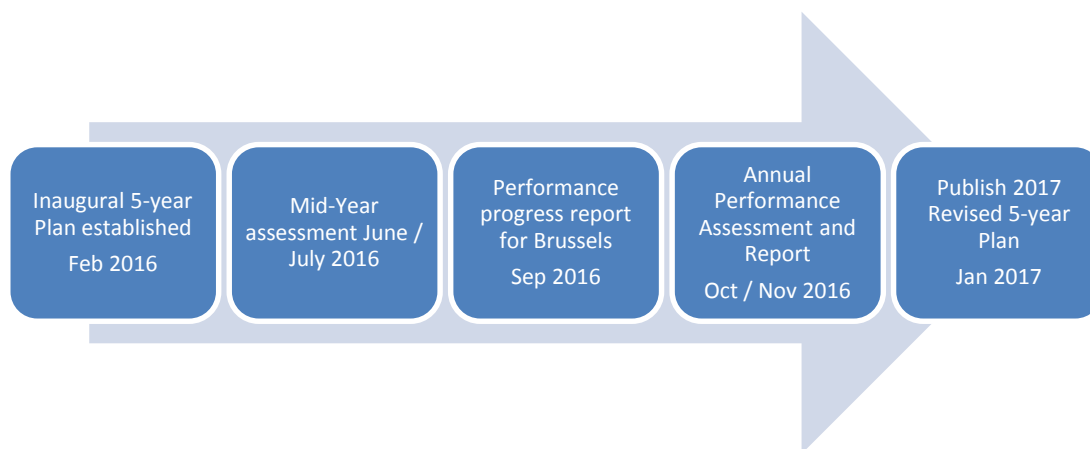
8. **The Government recognizes that improvement in fiscal planning and management is crucial for the long-term development of Afghanistan and has made significant progress on fiscal and Public Financial Management (PFM) reforms.** In this context, the Government has committed itself to: (i) Aligning aid with national priorities; (ii) Improving the credibility of the national budget and ensuring that the budget responds to development priorities by allowing policy makers to see the full landscape of income and expenditure. This includes recording all donor spending in the national budget, even if not directly spent through the treasury; (iii) More on-budget assistance; and (iv) Improving budget execution of on-budget programs. These measures will be supported by Government efforts to remove bottlenecks to routing more funds on-budget and to scale-up development partner support through the budget.

9. **The Ministry of Finance (herein referred to as “MOF”) is increasingly advancing its ability to provide strategic management of the Afghan Government’s development portfolio.** For this purpose there has been a reorganization of two Directorates in MOF. The first relates to the reorganization of the national Cabinet into six development councils (equivalent to Cabinet Committees). The purpose of these thematic Cabinet committees for which the Programs Implementation and Coordination General Directorate of MOF (herein referred to as “PICGD”) acts as secretariat, is to serve as a forum for coordination and collaboration between related ministries for the development of inter-ministerial policy frameworks, costed sector strategies, regulatory rules, and technical design standards. The second relates to the creation of a Macro Fiscal Performance Directorate General (herein referred to as “MFPD”) in MOF. Within MOF, MFPD is tasked to improve coordination including with PICDG and the Directorates of Budget, Revenue, and Treasury. Towards this end, MFPD is required to provide fiscal policy advice through preparation of the Fiscal Strategy Paper (an annual pre-budget report setting out the macro-fiscal and policy situation), MFPD is also to produce internal macroeconomic forecasts to better guide fiscal policy-making

including the revenue and expenditure parameters in the budget, and to produce a quarterly report of risks to the macro-fiscal framework.

10. **The inaugural Five Year rolling Fiscal Performance Improvement Plan by the Government of Afghanistan (herein referred to as “The Five Year Plan”) is the vehicle for the implementation of the PFM Roadmap II.** It presents a sequenced team-based plan within a Performance Management Framework (herein referred to as “PMF”). The development of this plan has been a Government driven process with a high degree of ownership over the proposed reforms¹. This Five Year Plan covers the full spectrum of reforms, from developing a fiscal policy framework to guide the budget, analysis of fiscal space, and adopting a medium term expenditure framework with a consolidated national budget. It further includes improved cash management and commitment controls, with upgraded systems that integrate procurement, contract management and cash management, and improved reporting and audit of public expenditure. An inaugural Five Year Plan has been established and the performance management cycle has commenced. The cycle involves the publishing of a consolidated Five Year Plan at the beginning of the year. This is followed by a mid-year assessment of progress against plans, and an annual performance assessment with a published performance report on plans. Finally, an updated Five Year Plan is developed based on the previous years’ performance at the beginning of the following year. The initial Five Year Plan covers all teams in the MOF and will be implemented following a performance management system that focuses on improving the performance of teams. This process has involved a detailed risk analysis at the activity level for each Five Year Plan and a gap analysis of technical assistance and support needs, by team. The MOF has created a Performance Management Team (herein referred to as “PMT”) to facilitate this process.

Figure 1. The Performance Management Cycle 2016



11. **As MOF advances this structural reform agenda, its need for specialized knowledge support will grow.** This is especially the case in the interim as MOF formulates specific reform plans, policies and strategies for which technical assistance needs become more acute and require the production of specific independent analysis. The purpose of the proposed Technical Assistance Facility (herein referred to as “TAF”) is therefore to support MOF’s reform planning. Specifically the TAF is required to support the implementation of the Five Year Plan for two Directorates General. The TAF is proposed to provide a flexible facility that allows MOF to quickly procure the necessary inputs including (but not limited to) skills, to support strengthened processes and substantive pieces of work contributing specifically to strengthening: (i) Macro Fiscal Policy Management; and (ii) Budget Planning. The TAF will be completely

¹ This plan summarises outcomes from team level 5-year rolling plans developed by teams and approved by Directors, DGs and ultimately the Minister of Finance.

aligned with MOF's Five Year Plan and its performance management system, ensuring a high level of Government ownership over the TAF. The detailed Five Year Plan for both Directorate Generals are at **Annex 6**.

12. **This form of technical assistance is consistent with Government's commitment to gradually reduce its reliance on consultants.** Consultants facilitated by the TAF will be short term (up to 6 months) and contracts will be output based. Moreover, this type of technical assistance is markedly different from the longer term technical assistance frequently used in Afghanistan to substitute or duplicate line civil service functions. That type of technical assistance will not be supported by the TAF because it is targeted to be gradually reduced by Government through initiatives such as the Capacity Building for Results (herein referred to as "CBR") Project. By being embedded in the core Directorates of MOF and not in a standalone Project Implementation Unit (herein referred to as "PIU"), the TAF will be directly contributing towards this goal.

D. Higher Level Objectives to which the Project Contributes

13. **Under the Interim Strategy Note (ISN) for Afghanistan 2012-2015, one of the three pillars of the World Bank program is building the legitimacy and capacity of institutions.** This is also one of the four objectives of the Afghanistan Reconstruction Trust Fund (herein referred to as "ARTF"). Capacity or institution building is an indirect objective or positive side-effect of TAF. The analytical outputs produced by the TAF in themselves strengthen the institutional capacity of the subject-area Directorates (MFPD and PICGD). By working closely with external experts, the institutional capacity of core MOF staff to undertake fiscal and monetary policy can also be built-up to gradually transition towards designing and implementing their own analytical products in the longer-term. However, beyond regular professional development activities for the secretariats for which both MFPD and PICGD are responsible and for the staff of the newly established MFPD, required to support the technical work planned under TAF, no specific capacity building or knowledge transfer measures are prescribed as part of TAF analytical outputs. This is intentionally designed to avoid sidetracking the focus of technical assistance, procured to produce discrete priority outputs. It also comes in recognition of the limitations and inherent contradiction between short-term technical support and longer-term capacity development

14. **Linked to the above point, capacity will be built within MOF specifically through its direct implementation and administration of its Five Year Plan supported by this TAF.** This level of knowledge transfer and "learning by doing" is not fostered by the PIU model largely prevalent for externally-funded projects in Afghanistan. In this regard, the TAF which is designed as a scalable pilot is positioned upfront to contribute to another higher level objective of gradually reducing the dependence on long term external consultants (contracted staff) for project administration. PIU staff represent the largest category of long term consultants in the country. Through the proposed in-house implementation arrangement proposed for the TAF, it will be amongst the first projects to test the integration of project administration within core Government functions. Consequently, provisions will be put in place to support MOF to ensure adequate staffing to manage the TAF including critically, Financial Management (FM) and Procurement accredited staff. While staff will not be directly financed by the TAF, any shortfalls in long-term capacity (civil servants) will be provided through CBR. MOF is already subscribed to the CBR program with an initial 51 positions currently advertised for placement in MOF.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

15. **The development objective is to strengthen the fiscal management and the budget planning performance of the Government of Afghanistan.**

B. Project Beneficiaries

16. **The Directorates of MOF are the primary project beneficiaries, specifically MFPD and PICGD.** Through informed and evidence-based macro-economic policy-making and budget planning led by these respective Directorates, the Government of Afghanistan at large stands to benefit from improved decision-making. On the one hand, analysis of fiscal sustainability options, both on tax policy and public spending levels, as well as broader macroeconomic and fiscal analysis, help the Government to improve fiscal sustainability in the medium- to long-term. The Government has been tracking the ratio of domestic revenues over recurrent expenditures as an indicator of fiscal sustainability in its simplest form. It is expected that with more comprehensive analytical evidence on fiscal sustainability options, the Government will be able to increase the share of recurrent expenditures that is financed by domestic revenues. On the other hand, putting strategic objectives identified in a National Development Strategy (herein referred to as “NDS”) into practice requires detailed programming and planning at the sectoral level. Costed sector strategies – planned through PICGD’s secretariat role to the Development Councils and NPPs - is one effective tool to help implement sectoral objectives that are set in NDS.

C. PDO Level Results Indicators

17. **The following are the proposed PDO Level Results Indicators for the TAF:**

- (a) Development and implementation of medium term fiscal framework
- (b) Development and implementation of forward estimates framework
- (c) National budget allocation determined by National Development Strategy

18. **The PMF adopted by the MOF for the implementation of its overall Five Year Plan constitutes the broader or programmatic Results Framework to which TAF contributes.** A dedicated Results Framework (**Annex 1**), drawn from and constituting a sub-set of the PMF, has also been developed for the purposes of TAF. This is linked to activities from the Five Year Plan pre-identified to be covered by MFPD and PICGD through TAF outputs in its first year of implementation. This TAF Results Framework provides a snapshot of TAF’s contribution to the overall PMF both in terms of depth (activities) and time (Project lifetime). Consistent with the PMF, TAF results are framed around improved performance (including behaviors and quality) of the two Directorates. Therefore, rather than being focused on outputs, results are proposed to be focused on performance linked to progress on the aspirational targets and the target grades under the Five Year Plan performance management system in place across MOF.

III. PROJECT DESCRIPTION

A. Project Components

19. **The TAF will have two inter-connected components (detailed below).** Through the provision of necessary skills (technical assistance); office goods and other related operating inputs; and professional development opportunities, these components will support MFPD and PICGD to effectively carry out their mandated activities, including select outputs drawn from the Five Year Plan (**Annex 6**). Retroactive financing would be applicable for some Year 1 TAF activities identified as urgently required ahead of Project effectiveness (**see Annex 5 – Procurement Plan**).

20. **Component 1: Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General (MFPD) [\$3.9M].** This component is focused on strengthening MFPD's institutional capacity to effectively carry out its mandated activities set out in detail in its Five Year Rolling Plan including, inter alia:

(a) **The carrying out of in-depth studies and analysis contributing towards fiscal policy and macroeconomic management.** In order to improve fiscal policy and management, MOF has consolidated expenditure and tax policy decisions under the MFPD, independent of the Directorates involved in their administration and execution. The MFPD has thus been assigned to provide evidence-based advice on tax policy, expenditure decisions and overall fiscal sustainability issues. The Directorate also responds to requests by line ministries for economic analysis of investment decisions and development projects.

(b) **Secretarial support to the High Economic Council (HEC).** In addition to undertaking macroeconomic and fiscal analysis, the MFPD has been assigned to provide the HEC chaired by the President of the Islamic Republic of Afghanistan with responsive and high quality secretariat services. This involves the development and implementation of plans for the structure (e.g. Directorate level composition, staffing etc.), and of appropriate procedures for the HEC and its secretariat. Procedures to be developed include organizational arrangements (e.g. specialized review committees and negotiation procedures), budget cycle driven timetables, and core secretariat functions (e.g. timelines for circulation of documents, budget gatekeeping including minimum requirements for budget related agenda items).

21. **Specific analytical outputs under this component, requiring the mobilization of short-term experts and management of consultancies, will be identified within the frame of MFPD's Five Year Plan. These are expected to involve:**

- (i) Key topics related to the development and implementation of a medium term fiscal framework (fiscal forecasts and reporting on fiscal outcomes, adoption of fiscal strategy), tax policy, economic management, political economy aspects of public policy in fragile countries, and other sector-specific studies such as on Operation and Maintenance (O&M) management;
- (ii) On-demand analytical inputs and advice for the Cabinet, Economic Development Council, Tax Policy Development Committee, and HEC (for which MFPD is assigned to provide analytical and secretarial support);
- (iii) Analytical inputs and advice related to the development and implementation of a forward estimates framework to help ensure that strategic plans and medium-term budget are aligned e.g. estimating medium-term expenditures, preparing macro-level costing of the next four-year economic development strategy, and issuing guidance on budget preparation;
- (iv) Medium-term macroeconomic forecasts and evaluation of the risks' forecast for the overall macroeconomic framework; and
- (v) Relevant materials for convening economic quarterly meetings in which Government and non-governmental analysts can exchange views and engage in discussions over critical issues in fiscal sustainability, economic growth and development.

22. **The component will also support the establishment of MFPD and set up of its new structure.** This will be supported through the provision of limited office equipment, and computer systems (including both hardware systems and software applications). Additionally, a professional development plan for MFPD staff will be developed, and a performance information management system will be established and

maintained. Relevant training opportunities drawn from the professional development plan will be facilitated to support the technical work of the MFPD.

23. **Component 2: Supporting the Continuous Improvement of the Programs Implementation and Coordination General Directorate (PICGD) [\$1.1M].** This component is focused on strengthening the institutional capacity of PICGD to effectively carry out its mandated activities set out in detail in its Five Year Rolling Plan, including, inter alia:

(a) **The preparation of updated, consolidated and costed sector strategies and work plans, and ensuring their alignment with the budget.** Work plans are to be prepared twice yearly to support the six newly established Development Councils. Development Councils, equivalent to thematic committees around which the National Cabinet has been reorganized, are intended to provide a forum for related ministries to develop strategic frameworks and prioritize programs (built around results) to increase efficiency in budgetary allocations.

(b) **Secretarial support to the Development Councils and NPPs.** Within this secretarial role, PICGD is to improve economic management and national development policy-making. This will involve ensuring that Development Council work plans are implemented; regular high level and technical meetings are organized; and their decisions are recorded, distributed, and archived. For these purposes, PICGD will develop a handbook outlining rules, procedures, and operation and coordination mechanisms for the Development Councils. A task force will be established to oversee the Development Councils' gate keeping function of all financial and legislative matters. Within its secretarial role to the NPPs, PICGD will ensure that remaining NPPs are drafted and consulted with stakeholders. PICGD will also support the preparation of implementation and financial plans for the NPPs, and ensure NPPs are integrated in the national budget.

24. **Specific analytical outputs under this component, requiring the mobilization of short-term experts and management of consultancies, will be identified within the frame of PICGD's Five Year Plan. These are expected to involve:**

- (i) Work plans and costed strategies for sectors as identified by the Development Councils, NPPs and the upcoming NDS;
- (ii) Analytical inputs and advice to help ensure that strategic plans and medium-term budget are aligned e.g. supporting PICGD in the strengthening of the budget process to align the budget objectives with NPPs and the upcoming NDS;
- (iii) Analytical inputs and advice to support the PICGD in enhancing the budget as the primary instrument of Government for development planning and improving coordination with donors on development financing to contribute to the goals of the NDS;
- (iv) Performance metrics for Government institutions to track progress towards the achievement of objectives set in the NDS; and
- (v) Gap assessments and other short term inputs by PICGD to improve development planning.

25. **The component will also support the procurement of limited office equipment and computer systems (including both hardware systems and software applications) to support the technical work of the PICGD.** A technical assistance plan to assist operations of PICGD Development Council and NPP secretariats will be developed, and its implementation supported through the TAF.

B. Project Financing

26. **The proposed Project is to take the form of an Investment Project Financing (IPF) operation implemented over a period of four years.** The total cost of the Project will be US\$5 million to be covered by ARTF. Should additional ARTF funds (up to an additional US\$5 million) become available, these are proposed be incorporated within the Project as additional or parallel financing. Overall estimated Project costs are set out in the Table 2 below. A full breakdown of Project financing is detailed in **Annex 6** which sets out the broader costings for the inaugural Five Year Rolling Plan to which TAF is contributing.

27. **To promote timely and efficient implementation of TAF, MOF is expected to initiate select TAF activities for Year 1 prior to Project effectiveness.** This would primarily apply to the first component and include the supply of office furniture, IT equipment and systems (see **Annex 5 – Procurement Plan**), required to support the establishment of the newly formed MFPD and facilitate its technical work under the Project. Retroactive financing would therefore be made available under the Project to cover such financing needs. The amount of retroactive financing would not exceed US\$0.5 million equivalent (or ten percent of the total grant amount).

Table 2: Project Cost and Financing

Project Components	Project cost	ARTF Financing	% Financing
1. Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General (MFPD)	3.9	3.9	78
2. Supporting the Continuous Improvement of the Programs Implementation and Coordination General Directorate (PICGD)	1.1	1.1	22
Total Costs			
Total Project Costs	5.00	5.00	100
Front-End Fees			
Total Financing Required	5.00	5.00	100

C. Series of Project Objective and Phases

28. **The TAF will be implemented on a pilot basis.** This will involve phasing of activities under the Five Year Plan starting with a manageable set of outputs and considering additional outputs over time (on a periodic basis).

29. **Consistent with this approach, the TAF is being prepared for an initial amount of US\$5m (over 4 years).** Additional financing up to a total Project financing amount of US\$10m is to be considered based on implementation progress and effectiveness as assessed by Mid-Term Review (MTR) planned to be carried out two years after Project effectiveness.

D. Lessons Learned and Reflected in the Project Design

30. **Experience from similar technical assistance projects which have often fallen short of their intended outcomes, highlights the significant risks that may be faced in preparing and implementing such a facility.** Cognizant of these risks, the approach proposed for the TAF has benefited from lessons learned from previous similar initiatives. These include initiatives that have experienced modest success in Afghanistan such as the Afghanistan Technical Assistance and Feasibility Study Unit (herein referred to as “TAFSU”), as well as more successful examples elsewhere including in Rwanda and Sudan. Building directly from these lessons, the TAF is designed with specific changes and intricacies. These include:

- (a) **Government ownership:** The TAF is supporting the Government’s own PFM reform process which has strong ownership within the MOF and by the President. Support for MFPD and PICGD (through TAF) was directly requested by the President and Minister of Finance. This

request came in response to urgent context-driven analytical gap needs related to policy and planning in MOF. The TAF is dedicated to one ministry (MOF) and managed by that ministry according to its priorities as set out in its Five Year Plan. This arrangement which positions the Government of Afghanistan in the lead ensures ownership which has often been weak across operations in Afghanistan, especially during design and in early implementation.

(b) **Emphasizing direct implementation:** In addition to strengthening ownership of Government, the direct implementation arrangement proposed for the TAF promotes both cost effectiveness and efficiency. This is backed up by extensive analysis of lessons from similar operations in Afghanistan and elsewhere. By relying on existing implementation structures and not institutionalizing another unit in MOF such as a standalone PIU, the TAF also supports Government's overall drive to promote core ministry functions and by extension – to limit parallel structures.

(c) **Linking technical assistance to delivery (e.g. reform, strategy development etc.):** The TAF is linked to the PMF adopted by the MOF for the implementation of its Five Year Plan. The Plan is 'rolling' which means it will be assessed every 6 months and an updated Plan will be published every 12 months to reflect progress and performance. The goal of the TAF is to support improved performance of MFPD and PICGD, which is reflected in performance scores of the two Directorates rather than the achievement of specific outputs or outcomes. The PMF is set out in the inaugural Five Year Rolling Plan and a summary is at **Annex 7**. This approach provides the support for MOF under the TAF with the necessary flexibility to adapt and respond to changing Government priorities and space for course correction. In this sense, the TAF although an IPF in terms of financing instrumentation, is designed as a facility. This is based on the recognition that several similar initiatives while successful in producing outputs, have rarely been able to link outputs to delivery (e.g. reform, strategy development etc.). The TAFSU for instance had no comprehensive M&E framework. This led to feasibility studies generally not feeding into the project pipeline and minimized impact of procured consultants due to lack of clarity on end-goals.

(d) **Building-in quality and performance arrangements:** Weak management has been the main cause for failure of similar initiatives. These have often been categorized by delayed and weak Terms of Reference (herein referred to as "TORs"), inadequate analysis and general poor performance, at times caused by the difficult working environment. In this case MOF more broadly and MFPD/PICGD specifically have developed clear plans and there is a dedicated PMT whose job is to facilitate the assessments of progress, produce reports and distribute information on performance. TAF, as a tool to support the Five Year Plan and its PMF, will be able to draw on this established monitoring and reporting system. As already set out, the performance management cycle includes six monthly assessments with independent facilitation and validation. This will ensure a high degree of ownership of results by the MOF, as well as a robust forum for engagement between Bank and MOF on performance measures for the TAF. Specific aspirational targets and grades attributable to TAF activities and outputs have been drawn from the PMF and provide a snapshot (sub-set) of TAF's contribution to the overall PMF both in terms of depth (activities) and time (Project lifetime). These have been detailed in a dedicated Results Framework (**Annex 1**) that will be measured and reported on as part of the performance management system for the overall MOF Five Year Plan.

(e) **Starting as a pilot:** Recognizing the pioneering nature of such a facility in Afghanistan vis-a-vis capacity constraints and political economy risks, the TAF will: (i) start with a manageable set of outputs and consider additional outputs, all of which will be drawn from the two Directorates Five Year Plan, over time (on a periodic basis); and (ii) start with a modest

budget (US\$5 million) and consider opportunities for additional financing (up to total Project financing of US\$10 million).

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

31. **A higher level objective of the TAF is to contribute to Government’s commitment to gradually reduce the reliance on external technical assistance.** In this context, the TAF will not be located within a separate out-sourced PIU structure but will test direct recipient implementation. A streamlined, simple system using existing MOF core functions will be put in place to manage the TAF. This involves MFPD in the overall lead with responsibility for coordinating and managing the TAF on behalf of MOF.

32. **As the TAF will be managed by MFPD rather than by a dedicated PIU, MFPD will ensure adequate staffing is in place to manage it.** The Director General (herein referred to as “DG”) of MFPD will act as Project Manager of the TAF. The PMT for the Five Year Rolling Plans which sits in MFPD and is under the overall direction of the DG of MFPD will provide dedicated staff to the operational functions of TAF under the performance management system, and will liaise with the MOF corporate areas (Finance and Administration, Procurement) on TAF operations.

33. **MFPD will also technically lead the implementation of Component 1 “Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General”.** MFPD will work closely with PICGD which is technically leading on Component 2 “Supporting the Continuous Improvement of the Programs Implementation and Coordination General Directorate”. Implementation coordination between the two Directorates will be ensured through MFPD’s role in MOF where it is responsible for improving coordination amongst several Directorates including PICGD but also Budget, Revenue, and Treasury. Moreover, the TAF will be overseen by the existing “Core Group” in MOF which will act as an overall steering committee and make strategic decisions related to the TAF’s work program (drawn from the Five Year Plan). The “Core Group” which currently meets on a weekly basis is chaired by the Minister of Finance and includes respective heads of Directorates of MOF (including MFPD and PICGD) as well as an Advisor to the President of the Islamic Republic of Afghanistan.

34. **The proposed Project would be carried out in accordance with the Project Operations Manual (POM) to be developed and adopted within 6 weeks of Grant signing.** This will set-out all relevant rules, methods, procedures, guidelines and standard documents.

B. Results Monitoring and Evaluation

35. **Results monitoring and evaluation will be done by MOF through the established performance management system for the Five Year Plan.** This system is set out in detail at **Annex 7** but in summary involves:

- (a) Establishment of a rolling Five Year Plan based on a risk assessment of failure for each activity.
- (b) Facilitated mid-year assessment of progress and indicative performance ratings, independently validated.

(c) A formal annual performance assessment with performance scores independently validated based on three criteria: (i) Quality; (ii) Timeliness; and (iii) Effectiveness. Each criteria is weighted and the independent validators facilitate the assessments and check evidence of progress against plans. Both raw and relative scores are compiled and used to create league tables across all participating teams in MOF. Scores follow standard methods and range from A to D. C+ is considered a satisfactory score. Mid-year assessments are internal and indicative, shared with donors and presented to the Minister of Finance, while the annual performance assessment will be published.

(d) The Five Year Plan has also allocated aspirational targets for progress against international benchmarks including Public Expenditure and Financial Accountability (herein referred to as “PEFA”), Operational Business Intelligence (herein referred to as “OBI”) and Transparency International.

36. **As TAF is supporting the Five Year Plan there will be no separate reporting done.** However, performance targets (drawn from the PMF) specific to planned TAF activities have been included in a TAF Results Framework (**Annex 1**) that will be measured and reported on through the performance management system in place for the overall MOF Five Year Plan. This Results Framework provides a snapshot (sub-set) of TAF’s contribution to the overall PMF both in terms of depth (activities) and time (Project lifetime).. This arrangements ensures a robust M&E framework that realistically reflects the small grant size, and the pioneering nature of the TAF in Afghanistan vis-a-vis capacity constraints and political economy risks. Critically, by being linked to performance as opposed to outputs, it also provides the space and flexibility for TAF to be responsive to evolving or shift priorities and for gradual scale-up.

C. Sustainability

37. **The TAF will be implemented as a core function of MOF.** This comes in direct response to heightened fiscal sustainability and long-term civil service capacity concerns associated with the dependence on long term external consultants to which PIU staff represent the largest category. This approach is consistent with the “*Summary Report to Joint Coordination and Monitoring Board (JCMB) on the Results of the 2006 Survey*” carried out by the MOF Aid Coordination Unit on “*Monitoring the Paris Declaration on Aid Effectiveness*”. The report concludes that donors often establish PIUs, even though by doing so they may be giving precedence to short-term efficiency over longer-term Government capacity building. In the long-run, presence of such parallel structures harms existing capacity building efforts. The report therefore highlights the need for donors to reflect national priorities rather than own interests, and to devise a sound strategy to gradually integrate and incorporate parallel institutions into the Government structure through a responsible exit strategy that migrates capacity into the line ministry.

38. **The TAF which is designed as a scalable pilot will be amongst the first projects in Afghanistan to test this approach.** TAF thereby has potential transformational impacts on the implementation of external resources. The implementation model piloted by the TAF could provide a (replicability) blueprint as well as key lessons for other line ministries to start testing direct implementation of donor-funded projects that are anchored in their ministries but for which project administration is outsourced to PIUs. At a minimum, the implementation capacity to be gained will help to equip MOF to continue to manage its own donor-funded projects moving forward.

39. **Knowledge transfer is a higher level or indirect objective of the TAF.** Working closely with external experts will contribute to building the capacity of core MOF staff to gradually transition towards designing and implementing their own analytical products in the longer-term. Lessons show that much of the enormous number of analyses and studies undertaken in Afghanistan – both off and on budget - have been shelved or lost. In this regard, the in-house existence of a TAF and enhanced long term capacity in

MOF to continue managing and coordinating its own technical assistance has the potential to contribute to addressing the lack of institutional memory. The results of the above-mentioned report on “*Monitoring the Paris Declaration on Aid Effectiveness*” indicate that a significant amount of external aid in Afghanistan is spent on technical assistance. More importantly, the report concludes that only a small percentage of the technical assistance provided was coordinated with the Government and amongst donors, and is an indication of the ineffective utilization of technical assistance. The report also concludes that there is a strong need for a national technical assistance coordinating body, in the absence of which donors should contribute to existing Government-led programs. The TAF which is scalable, managed directly by Government (MOF) and aligned with wider Government priorities (Five Year Plan) provides such a program and as prescribed by the report’s recommendations, would: (i) give the Government ownership over the technical assistance provided by donors; (ii) enable the Government and donor community to properly plan and implement technical assistance; (iii) address donors’ concern regarding putting their money through the current multitude of small and scattered programs; (iv) reduce inefficiency which results mainly from a lack of coordination; (v) be more cost effective; and (vi) enable the Government and the donor community to better align their programs with national priorities.

40. **However, it is precise to highlight that the TAF is not expected to improve capacity building, self-reliance or institutional memory drastically.** It is also not expected to drastically enhance the fundamentals of how aid is provided and coordinated amongst donors. The TAF’s size is small in relation with other programs and it has a limited scope. If the Project is successful it will be able to achieve limited sustainable outcomes on those issues beyond the Project itself.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

41. **Based on the Bank’s Independent Evaluation Group (IEG) reviews of similar technical assistance projects in other countries such as in Rwanda and Sudan, as well as relevant experiences in Afghanistan, a number of risks have been identified, namely:**

(a) **Lack of ownership.** The TAF, which was directly requested by the President and Minister of Finance, has support at the highest levels of the Government. However, commitment of the President and senior Government leadership is not sufficient on its own. Support needs to translate to the level of technical stakeholders – specifically Director Generals in MFPD, PICGD and across MOF - whose leadership and collaboration is critical to the technical work of the TAF. To build and maintain this broad ownership, the TAF should support Government of Afghanistan to be in the lead. In this regard, the TAF has identified and brought the relevant technical counterparts into the process early – to provide critical focus and technical inputs to policy. It will support the MOF’s own Five Year Plan and performance management approach which has a high level of ownership already.

(b) **Technical assistance does not translate into strategy development/reforms.** This is a significant risk which has affected most other similar initiatives. While successful in completing several studies - within Government priority areas and with considerable potential to become blueprints for sector policies – these have rarely translated into reform or strategy development. The primary reason for this disconnect is invariably the overly ambitious objectives of these facilities. Learning from these cases, the TAF will not directly target reforms but will instead help Government (MOF) drill down to the key issues relevant to each of its selected priority areas. These will be drawn from MOF’s Five Year Plan. In this way and similar to the series of policy notes that led to the comprehensive restructuring of the Gum Arabic sector in Sudan, the TAF can assist Government to set up the knowledge base required to inform and decide on reform

choices. Moreover, risk of failure of the reform efforts undertaken by the PICGD and MFPD, has been assessed by the authorities and development partners according to methodologies drawn from the PEFA Secretariat². A summary of the risk and impact assessment for MFPD is provided in “*Implementation Arrangements*” under **Annex 3**. The complete impact and risk ratings is also provided at **Annex 7**.

(c) **Timeliness of advice – capacity to be adaptive and agile.** To ensure timely advice, the TAF can also build-in advisory capacity at call on short notice. This allows TAF to respond in a flexible and positive manner in the event of shifting or evolving Government priorities (e.g. how to move quickly away from weakly performing reforms and/or how to scale-up reforms that show strong results). These measures include: (i) starting with a manageable set of outputs for the first year of implementation. These have been tentatively identified (**see Annex 2**) from within the MFPD and PICGD Five Year Plan for 2016 and 2017. Additional outputs will be considered over time (on a periodic basis), also drawn from the Five Year Plan, but left open to shifting Government priorities; (ii) starting with a modest budget (US\$5 million) and considering opportunities for additional financing (up to total Project financing of US\$10 million); and (iii) a flexible M&E framework that realistically reflects the small grant size, and the pioneering nature of the TAF in Afghanistan vis-a-vis capacity constraints and political economy risks, but that also provides the space for gradual scale-up and to adapt to emerging or shifting priorities.

(d) **Implementation delays.** A common feature of many compared projects is a slow pace of setup and early implementation – almost all have been restructured and/or extended. The reasons for slow set-up stem in all cases from deficiencies in implementation capacity, e.g. human resources (to prepare TORs and carry out procurement of technical assistance), weak M&E systems etc. This risk is highly relevant to Afghanistan, and although anchorage of the TAF within MOF will provide considerable mitigation, further foundational measures need to be established. These are listed below:

- (i) **Areas of focus:** Government has decided on the specific issues and associated outputs (**see Annex 2**) tentatively targeted during the first year of TAF implementation. These are drawn from within the MFPD and PICGD Five Year Plan for 2016 and 2017.
- (ii) **Developing TORs:** TORs for a small number of outputs targeted for the first year of implementation have been developed to allow quick implementation start-up. However, as a rule TORs will be developed as outputs are decided upon.
- (iii) **Procuring consultants:** Given that it is not easy to identify and secure high quality experts and consultants in Afghanistan (procurement can take upwards of 9 months), for significant outputs “Invitations to Bid” are required by the TAF. Government has begun to pre-screen/pre-qualify appropriate expertise that can be invited to bid (alongside firms that respond to advertised EOI requests) for Year 1 outputs. Single source selection is also eligible where appropriate and adequately justified. To establish the capacity to provide quick advice, a small number of consultants will be identified and provided contracts with TORs indicating that their role will be for agreed short term outputs on issues that require urgent but high level advice. These measures will go some way towards ensuring timeliness of short term consultant input which is linked to the broader security context of Afghanistan.

² Diamond, 2013, “[Good Practice Note on Sequencing PFM Reforms](#)”, PEFA Secretariat, Washing DC, USA. A successful team-based performance management has been employed in the MOF in Timor-Leste between 2012

(iv) **Streamlined approval processes.** A small steering committee (“Core Group”) already exists in MOF. This will decide on any changes to or additional outputs to be financed by the TAF in Year 1, and on outputs to be targeted in subsequent years. These will be drawn based on emerging priorities from the Five Year Plan for the respective MOF (MFPD/PICGD) Directorates. The Core Group will also endorse TORs.

(e) **Getting sidetracked by capacity-building:** Capacity development is often a primary objective of similar projects. These projects, however, have generally demonstrated limited evidence to suggest retention of acquired skills by staff within Government structures or concrete follow up plans to sustain knowledge. This is especially the case in complex political and economic environments such as Afghanistan. It is reflective of the tendency of technical assistance which is designed to fill urgent short-term expertise gaps – which the TAF proposes to do - to bypass developing country capacity weaknesses. The TAF does not therefore target specific capacity building or knowledge transfer measures as part of its analytical outputs. Capacity building is also de-emphasized as a direct objective - to avoid sidetracking the production of the priority outputs. Capacity building does however hold the potential to become a higher level or complimentary objective of the TAF. The analytical outputs produced by the TAF in themselves strengthen the institutional capacity of the subject-area Directorates (MFPD and PICGD). By working closely with external experts, the capacity of core MOF staff can also be built-up to prepare own analytical products in the longer-term. On the other hand the capacity within MOF to procure and manage technical assistance is expected to be built as a result of its implementation and administration of the TAF. The overall professional development of secretariats to which both MFPD and PICGD are responsible, and of MFPD staff will also be targeted as part of Project support to the newly established Directorate to underpin its work within the TAF.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

42. **The TAF is a technical assistance facility and as such no quantitative economic analysis has been conducted at entry.** In the absence of such analysis, several alternative criteria have been used to assess the economic and fiscal viability of the Project. Some of these aspects have been outlined in more detail in other parts of this PAD. To avoid repetition, these aspects are summarized below.

(a) **Recipient interest and commitment:** The TAF was directly requested by the President and Minister of Finance and supports the MOF’s own Five Year Plan and performance management system. At the technical level, the TAF is driven and directly implemented by the core Directorates of MOF.

(b) **Cost effectiveness:** The TAF which is designed as a scalable pilot will start with a modest budget (US\$5 million) and include opportunities for additional financing (total Project financing of up to US\$10 million). The TAF will start with a manageable set of outputs drawn from the Five Year Plan for the respective MOF (MFPD/PICGD) Directorates which based on close monitoring of implementation performance, will be added to (or reduced) on a periodic basis. The overall cost of the TAF is low especially when considering the difficult country circumstances of Afghanistan, and is comparable to similar projects such as the Sudan TAF which also had an initial financing amount of US\$5 million. By relying on existing implementation structures and not institutionalizing another unit in MOF such as a standalone PIU, the TAF promotes both cost effectiveness and efficiency. The TAF will not fund staff

salaries and thereby maximizes the share of Project financing dedicated to producing substantive outputs. This direct implementation approach being tested by the TAF also holds the potential to provide longer term contributions to overall fiscal stability. The TAF can provide a blueprint for Government's overall drive to promote core ministry functions and thereby limit parallel structures. Some of the outputs to be completed under the TAF have a potential of leading to informed and evidence-based macroeconomic policy-making, budget prioritization, and development planning that can bring high rates of return e.g. positive effects on budget balance through improved revenue collection and expenditure management. Although small, the funding for the TAF is sought from external sources (the ARTF). This reflects Government's overstretched own resources, severely constrained by the current tight fiscal context in Afghanistan. It also reflects its request for the Bank's global knowledge and expertise - due to the high level of technicality involved - to support technical oversight, quality assurance and monitoring of outputs.

(c) **Rationale for why the Project or the implementing agency is in the public sector:** MFPD already provides high-level advice to the Cabinet and HEC; but the advice it provides is not based on empirical or analytical evidence. It is not the case that another entity in Government or external advisors are currently providing such input and advice. The MFPD is the entity providing feedback on specific issues of discussion to the Cabinet, but the issue remains with its quality, depth and robustness. Given the limited resources in MFPD, its inputs and advice are not always informed by empirics and analysis. The same holds for PICGD which acts as secretariat to the Development Councils. Therefore, the most important contribution of TAF is its contribution to ensuring that the nature of advice provided by MFPD and PICGD is evidence-based and informed by research and analysis.

(d) **Why the Project is different to previous similar projects:** The TAF is designed with specific changes and intricacies. These are based on lessons from previous similar initiatives **(covered in more detail under Section III D of this PAD)**. These include: (i) Government ownership: The TAF supports the Government's recently established PFM reform plans and derivative MOF Five Year Plan. It was directly requested by the President and the Minister of Finance in response to context-driven analytical gap needs related to policy and planning in MOF; (ii) Emphasizing direct implementation: The TAF relies on existing implementation structures; (iii) Linking outputs to performance improvement (e.g. reform, strategy development etc.): The TAF is designed as a facility with the necessary flexibility to adapt and respond to changing Government priorities and with space for course correction; (iv) Building-in quality and performance arrangements: The TAF is supporting the MOF's established performance management system which has semi-annual assessments, publishes an annual performance report and is independently facilitated and validated; and (v) Starting as a pilot: Recognizing the pioneering nature of such a facility in Afghanistan vis-a-vis capacity constraints and political economy risks, the TAF will start as a pilot.

(e) **Justification for the use of technical assistance in an investment project:** With the exception of the procurement of a limited amount of office and IT equipment including software required to support analysis, all Project activities are related to the provision of technical assistance. This technical assistance is urgently required to complement and fill gaps in core Government capacity by providing specialized expertise to produce high priority specific outputs. These outputs will be focused around supporting informed and evidence-based macro fiscal policy management, budget prioritization, and development planning. The need for these outputs is increasingly magnified by the current negative fiscal outlook. This is characterized by gradually declining international assistance and shortfalls in domestic revenue mobilization which is not catching up with the operational expenditure obligations of the state. This type of

technical assistance is not readily available in-house. This reflects the highly technical and specific nature of expertise required for the types of output to be undertaken which will need to draw upon the world's collective knowledge of what meets state of the art standards. It also responds to the current and increasingly difficult context in Afghanistan, whereby instability-induced emigration of qualified professionals is a growing trend. In this sense, the technical assistance to be facilitated by the TAF is critical for implementation of the Project and achievement of its Development Objective of strengthening fiscal management and budget planning performance. The TAF's impact and effectiveness in this regard will be closely tracked in Project monitoring and evaluation undertaken through MOF's overall performance management cycle for the Five Year Plan, carried out on a six monthly assessment basis and with independent facilitation and validation. Moreover, while the TAF includes higher level or indirect objectives related to capacity building, the analytical outputs to be financed by the TAF (for which technical assistance will be procured) will not include specific training activities built-in. This is in recognition of the limitations and inherent contradiction between short-term technical support and longer-term capacity development, and the difficulty involved in measuring its effectiveness,

(f) **Conceptualization of the Project in economic terms and the clear linking of this framework to performance and impact indicators:** While very difficult to measure in quantitative terms, the potential fiscal impact of the TAF provides an important measure of its viability. This is especially the case given the budgetary problems currently facing Afghanistan. In this sense, by undertaking fiscal sustainability analysis and looking for options to strengthen fiscal sustainability in Afghanistan, the Government should be able to improve revenue collection and expenditure management. This critically includes a focus on outputs in areas such as enhancing public expenditure efficiency. This includes analysis around the present value of changes in revenues and expenditures and effects on the budget deficit in both the short and long term. It also includes analysis around improving Tax Policy which will be geared more towards increasing revenues than lowering administrative costs given the growing fiscal deficit. Both of these are areas in which the MFPD is expected to provide advice and guidance by using TAF's resources. With improved fiscal management based on fiscal sustainability considerations, the revenue to recurrent spending ratio should also increase. Consequently, through such critical analysis, the TAF holds the potential to have positive effects on the Government's budget balance. The TAF is grounded in a flexible Results Framework (**Annex 1**) drawn from and constituting a sub-set of the PMF of the MOF Five Year Plan. This framework avoids tightly defining focus areas upfront with the exception of some Year 1 (**see Annex 2**). The Results Framework by being linked to performance as opposed to outputs, provides the space and flexibility for TAF to be responsive to evolving or shift priorities and for gradual scale-up as specific outputs, also drawn from within the Five Year Plan for the respective MOF (MFPD/PICGD) Directorates, become identified.

B. Technical

43. **The TAF was requested by the President and the Minister of Finance.** It is required to support Government's effort to access knowledge (best practices) and facilitate the procurement of expertise for diagnosis and design of strategies and policies in priority areas identified by Government. Specifically the facility is focused towards supporting activities of the MOF Five Year Plan related to MFPD and PICGD.

44. **Anchorage of the TAF in MOF has been assessed as feasible and consistent with the Government's request.** This direct recipient execution model which positions the Government of Afghanistan in the lead is grounded in lessons from technical assistance facilities in a number of countries as well as similar projects in Afghanistan where government ownership has often been weak, especially

during design and in early implementation. This arrangement also responds to Government's commitment to enhance the capacity of core Government functions and gradually transition away from parallel implementation structures. In this regard, MOF is being supported with adequate and accredited staffing in FM and Procurement to enhance its ability to self-procure technical assistance. While staff will not be financed by the TAF, shortfalls in MOF's long-term capacity (civil servants) including in FM and Procurement, will be provided through CBR to which MOF is subscribed and receiving support.

45. **Outputs produced under the TAF will remain in ownership of the Government.** These will not be attributed as Bank's own-work, however, the Bank's strong involvement will be there to support MOF's capacity for ensuring fiduciary compliance. The task team will also bring in the Bank's global knowledge and expertise through the technical oversight, quality assurance and monitoring of outputs, as well as where relevant – to deploy and synergize different instruments (dialogue, analysis, lending, technical assistance etc.) for the benefit of the TAF.

C. Financial Management

46. **A Public Financial Management (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, European Commission 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.

47. **At the central level, financial management and audit functions for the proposed Project will be undertaken through the agents contracted under the ARTF-financed Public Financial Management Reform Project II.** These are the primary instruments 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 Adviser, is responsible for helping the MOF maintain the accounts for all public expenditures, including IDA/ARTF-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 Supreme Audit office in the performance of Annual audit.

48. **The implementing agency is MOF, and it will carry out the financial management functions for the Project through its Finance and Administration Directorate.** It has prior experience of handling World Bank funded/administered projects.

49. **The Finance and Administration Directorate of MOF has recruited a Financial Management consultant through the CBR Project.** The consultant will provide the required support towards the financial management of the Project. The Bank will conduct Financial Management clinics for the concerned staff to familiarize them with World Bank procedures and requirements, in particular, on the Interim Financial Report (IFR) based replenishment, and will continue to provide needed assistance throughout the life time of the Project.

50. **MOF guidelines for budget preparation will be followed.** Project budget will be based on the procurement plan and annual work plan. The annual budget will be broken down into quarters to facilitate budget monitoring. Actual expenditures will be monitored against quarterly budgets, and will also be reported to the Bank.

51. **Funds flow arrangements will follow standard procedures applicable to all World Bank funded/ administered projects.** A Designated Account (DA) will be opened at Da Afghanistan Bank (DAB, Central Bank) and the authorized signatory for making payments from the DA will be MOF. TAF/MOF Finance and Administration Directorate will process all payment requests through the Special Disbursements Unit (SDU) of MOF, and will also be responsible to manage the DA. Disbursements will be report based .Withdrawal applications for new advances will be submitted along with the quarterly IFRs indicating the forecast expenditure for six months. The DA will be replenished based on the advance request from MOF as per the IFR. SDU will assist TAF/MOF Finance and Administration Directorate in submission of the withdrawal applications to the Bank. Bank will provide Client Connection access to focal finance staff for the management of the Project.

52. **There will be retroactive financing facility available, if needed, up to 10% of the total grant value i.e. US\$0.5 million for expenditure meeting the eligibility criteria.**

53. **At the central level, Project accounts will be maintained in MOF Treasury Department in AFMIS (Afghanistan Financial Management Information System), which is responsible for recording all Project expenditures and receipts in the Government's accounting system.** TAF/MOF Finance and Administration Directorate will maintain subsidiary books of records using MS Excel. Reconciliation of Project transactions with AFMIS records and DA bank statements will be carried out monthly by MOF Finance and Administration Directorate.

54. **Quarterly IFRs will be prepared by TAF/MOF Finance and Administration Directorate and submitted to the Bank within 45 days from the end of the period.** The formats for these IFRs will be shared with TAF/MOF Finance and Administration Directorate, and the Bank will provide training on the preparation of the IFR.

55. **The Project follows the centralized payment mechanism applied in Afghanistan and controlled by MOF.** Internal controls are adequate both at the central and implementing agency levels. There is adequate segregation of duties. Reconciliations will be done on a monthly basis. All these controls will be periodically reviewed by the Bank. Internal Audit of this Project will be carried out by the MOF Internal Audit Unit. The Internal Audit will be carried out on Annual Basis.

56. **A single Project audit will be done by the Supreme Audit Office of Afghanistan with technical assistance from an audit agent.** The financial statements for the Project will be prepared by MOF. The audited financial statements are due within 6 months from the end of the year in which the Project closed. The responsible entity for the Project audit will be MOF and it will facilitate the audit through provision of required documents and responding to audit queries.

57. The Financial Management risk rating for this Project is **Moderate** as MOF has previous experience of managing World Bank funded projects and has sufficient fiduciary capacity. The internal controls are well defined and audit arrangements are in place.

D. Procurement

58. **Procurement for the Project will be administrated in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 and revised in July 2014; "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014; 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

(SBDs), Requests for Proposals, and Forms of Consultant Contract will be used. Goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed SBDs for Afghanistan.

59. **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 of the Islamic Republic of Afghanistan dated October 7, 2015.**

60. **MOF will have overall responsibility for all procurement under all components of the Project.** The Procurement Directorate of the MOF would be the procurement focal point for implementation of all procurement activities under the Project. Incremental Operating Costs (IOC) will be financed by the Project using MOF’s administrative procedures. These were reviewed and found acceptable to the Bank. IOC will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumable, office utilities and supplies, Bank charges, and advertising expenses but exclude any salaries and allowances of civil servants. A Procurement Plan (**Annex 5**) covering the first 18 months of Project implementation has been prepared by MOF and agreed with the Bank. The final version of the Procurement Plan will be disclosed and posted on the Bank’s website.

61. **The Procurement Directorate has adequate staffing but lacks sufficient experience to handle large and complex procurement contracts.** The existing International Procurement advisor recruited through the CBR Project will therefore be transferred to the Procurement Directorate. The advisor will be responsible for supporting quality assurance of the procurement carried out under both the proposed Project and CBR, while the actual procurement work for the proposed Project will be carried out by the staff of the Procurement Directorate. Gradually, other procurement staff hired under the CBR Project will be transferred to the Procurement Directorate. This will ensure sustainability and is in line with Decree Number 45 of the President of the Islamic Republic of Afghanistan. MOF is also to obtain accreditation of the National Procurement Authority (NPA) to handle procurement independently.

62. The Procurement risk rating for this Project is **High** and the threshold for High Risk Implementing Agency applies for prior review contracts under the Procurement Plan. The capacity of the MOF Procurement Directorate will be periodically assessed during the course of the implementation of the Project, and this threshold will be reviewed and updated accordingly.

E. Social (including Safeguards)

63. **The TAF focuses on generating high quality knowledge products, with a view to informing and improving Afghanistan’s macro fiscal policy management and development planning.** TAF activities are therefore not expected to have any adverse social impacts.

64. **The TAF through its support to budget planning, will be engaged with Development Councils, non-government institutions as well as a range of ministries.** To this end, the TAF includes citizen engagement tools linked to collaborative decision making and GRM. To this end, a corresponding indicator for effective collaboration in budget preparation “National budget allocation determined by National Development Strategy” ” has been included in the TAF’s Results Framework. A further indicator “Coordination among government and international stakeholders for effective aid delivery to achieve the goals of National Development Strategy” assesses the extent to which coordination is effective to ensure that aid is delivered according to the national priorities outlined in the NDS.

65. **“Fragile, Conflict and Violence” is a cross-cutting issue for the TAF.** This reflects the broader conflict context of Afghanistan within which TAF will operate. The fiscal pressures associated with this

context further necessitates improved macro fiscal policy management and budget planning to which TAF intends to contribute. In addition to broader contributions to improved macroeconomic and development planning, TAF includes specific context-sensitive analysis on the Social Impact of the Budget and Pension Reforms, the findings of which will be operationalized in modelling of expenditure simulations. Other cross-cutting topics including Jobs and Public Private Partnership are not planned to be addressed in a specific or substantive way by the TAF. Similarly, Gender is not tagged as TAF being primarily a facility to procure skills for macroeconomic analysis and knowledge products is not able to design tangible interventions targeted at women, men, girls and boys. However, TAF will make indirect contributions to these key cross-cutting topics. In the context of supporting the PICGD's role as secretariat to the Development Council and NPPs, technical assistance to be availed by TAF will support PICGD to better carry out economic management and national development policy-making contributing in the longer-term to job creation, Public Private Partnership, and gender inclusivity. On the latter, through support to the development of NPPs, TAF will be providing contributions to the NPP for women and support Government's Self-Reliance through Mutual Accountability Framework (SMAF) commitment for reporting against elimination of violence against women.

F. Environment (including Safeguards)

66. **TAF activities will not include any physical works and TAF will therefore not have any environmental impacts.** Hence no environmental safeguards are triggered.

G. Other Safeguards Policies Triggered

67. **None of the World Bank's safeguards policies are triggered.**

H. World Bank Grievance Redress

68. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country: Afghanistan

Project Name: Afghanistan Technical Assistance Facility (P157035)

Results Framework

Project Development Objectives

PDO Statement

The development objective is to strengthen the fiscal management and the budget planning performance of the Government of Afghanistan.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values									
		YR1	YR2	YR3	YR4					End Target	
Development and implementation of medium term fiscal framework	D	C	C+	C+	B						B
Development and implementation of forward estimates framework	D	C	C+	C+	B						B

National budget allocation determined by National Development Strategy	D	D	C	C+	C+							C+
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Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values										
		YR1	YR2	YR3	YR4						End Target	
Calculate estimates of annual medium term resource envelopes and fiscal space including for discretionary and non-discretionary budgets	D	C	C+	C+	B							B
Estimates of costs of existing policy in forward years (forward estimates)	D	C	C+	C+	B							B
Coordination among government and international stakeholders for	D	D	D	C	C							C

effective aid delivery to achieve the goals of National Development Strategy											
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Indicator Description

Project Development Objective Indicators

Indicator Name	Description/ Rationale	Frequency	Data Source / Methodology	Responsibility for Data Collection
Development and implementation of medium term fiscal framework	This focuses on more reliable resource envelopes (pre-budget and budget) and fiscal space estimates.	Annual	MFPD 5 Year Rolling Plan	MFPD
Development and implementation of forward estimates framework	This leads to a credible budget that is more responsive to the Government's priorities along with more efficient and effective government spending leading to the creation of fiscal space.	Annual	MFPD 5 Year Rolling Plan	MFPD
National budget allocation determined by National Development Strategy	National Budget will be used as a tool to achieve the National Priorities.	Annual	PICGD 5 Year Rolling Plan	PICGD

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Calculate estimates of annual medium term resource envelopes and fiscal space including for discretionary and non-discretionary budgets	This indicator helps create a fiscal space through calculation of a realistic resource envelope. The fiscal space will give a full hand to the government to allocate resources according to its priorities. This also leads to continuous improvements in fiscal discipline and in making more informed evidence based decisions.	Annual	MFPD 5 Year Rolling Plan	MFPD

Estimates of costs of existing policy in forward years (forward estimates)	This indicator solves the problem of frontloading funds and rolling over unspent funds to future years.	Annual	MFPD 5 Year Rolling Plan	MFPD
Coordination among government and international stakeholders for effective aid delivery to achieve the goals of National Development Strategy	Improved aid effectiveness by aligning aid delivery with national priorities to move towards self-reliance.	Annual	PICGD 5 Year Rolling Plan	PICGD

Additional Description: Baseline Assessments

Project Development Objectives Indicators

Indicator	Baseline	Target	Comment
Development and implementation of medium term fiscal framework	N/A	B	<p>The indicator assesses whether the government has prepared a medium term fiscal framework for the budget year and the three following fiscal years based on updated macroeconomic projections and that reflects government-approved expenditure and revenue policy settings.</p> <p>The Government currently prepares resource envelopes for the budget year and the two following fiscal years. These are included and published in the budget document submitted to the legislature. However, the framework is not applied to its best use since it has limitations and constraints associated with the development budget being considered fixed for the two future years. Overall budget was not in line with the envelope which causes the indicator to fall short of the requirements for a target score of B. Thus the baseline for this indicator is kept at D as the 5-year Rolling Plan is inaugurated this year (2016).</p>
Development and implementation of forward estimates framework	N/A	B	The indicator assesses the credibility of the national budget and address execution problems. This changes the overall behavior of budgeting as budget is allocated for each budgetary unit on the

			<p>basis of their execution in the past year adjusted through relevant indexation.</p> <p>The baseline for this indicator is kept at D as the 5 Year Rolling plan is inaugurated this year. However, the end target is expected to be B as the process has already successfully started this year.</p>
National budget allocation determined by National Development Strategy	N/A	C+	<p>This indicator determines policy-based budgeting and linking the budget to the National Development Strategy and priorities.</p> <p>Currently the budgets are prepared bottom-up with little or no linkage to policies. Thus the baseline is set at D. End target is proposed as C+.</p>

Intermediate Results Indicators

Indicator	Baseline	Target	Comment
Calculate estimates of annual medium term resource envelopes and fiscal space including for discretionary and non-discretionary budgets	N/A	B	<p>The indicator assesses the level of accuracy to which medium term resource envelopes and fiscal space are calculated. At the moment fiscal space is created through discretionary budgets and resources but the aim is to include non-discretionary resources in the fiscal space.</p> <p>While a baseline rating is not available and is assumed at D, the target is to raise the score to B.</p>
Estimates of costs of existing policy in forward years (forward estimates)	N/A	B	<p>The indicator assesses the medium term accuracy of the national budget as the national budget will be prepared to include sector and specific ministerial development policies in the medium term. In the absence of policy availability, budget will be allocated based on the execution of a budgetary unit.</p> <p>While a baseline rating is not available it is assumed at D. The target is to raise the score to B.</p>
Coordination among government and international stakeholders for effective aid delivery to achieve	N/A	C	<p>The indicator assesses the extent to which coordination is effective to ensure that aid is delivered according to the national priorities outlined in the National Development Strategy.</p>

the goals of National Development Strategy			While a baseline rating is not available, it is assumed at D . The target is to raise the score to C .
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Annex 2: Detailed Project Description

AFGHANISTAN: TECHNICAL ASSISTANCE FACILITY (TAF)

1. **The TAF is intended to support MOF's reform planning as guided by its Five Year Plan.** This will be achieved through the procurement of the necessary inputs including (but not limited to) skills required to support strengthened processes and substantive pieces of work as pertains to macro fiscal policy management and budget planning.
2. **Specifically, and in line with its development objective of strengthening the fiscal management and the budget performance of the Government of Afghanistan, the TAF will consist of the following two inter-related components:**
 - a. **Component 1: Supporting the Continuous Improvement of the Performance of MFPD.** This component involves strengthening the institutional capacity of the MFPD to effectively carry out its mandated activities including, inter alia: (i) the carrying out of in-depth studies and analysis contributing towards fiscal policy and macroeconomic management; and (ii) secretarial support to the High Economic Council.
 - b. **Component 2: Supporting the Continuous Improvement of PICGD:** This component involves strengthening the institutional capacity of the PICGD to effectively carry out its mandated activities including, inter alia: (i) the preparation of updated, consolidated and costed sector strategies and work plans, and ensuring their alignment with the budget; and (b) secretarial support to the Development Councils and National Priority Programs.
3. **The TAF is designed as a flexible facility with built-in capacity to be adaptive and agile.** Specific outputs to be supported by TAF will not be identified upfront. These will be exclusively drawn from the Five Year Plan for MFPD and PICGD, but will be identified on a periodic basis by the existing Core Group in MOF. This arrangement is intended to ensure timeliness of advice, and responsiveness to new or evolving Government priorities.
4. **However, to ensure quick implementation start-up, Government has pre-identified a set of initial outputs that can be targeted during the first year of TAF implementation.** These have been drawn from the Five Year Plan for the two Directorates for 2016 and 2017, and represent the priority foundational activities required to underpin overall implementation of the Five Year Plan. For PICGD, first year TAF outputs support operationalization of the Development Councils and NPPs to which PICGD performs a secretariat role, and ensuring that strategic and sectoral plans (NPPs and NDS) are aligned with the budget and form the basis for donor financing. Outputs planned by MFPD target improved fiscal discipline through key outputs such as a fiscal strategy paper, and supporting the adoption of a medium term fiscal framework. MFPD first year outputs also include analysis to guide the budget both in terms of its responsive to Government priorities, and its credibility e.g. through resource envelope and fiscal space estimates. In addition to undertaking macroeconomic and fiscal analysis, MFPD has been assigned to provide the HEC chaired by the President of the Islamic Republic of Afghanistan with secretarial support. TAF in its first year, will support MFPD's secretarial role to the HEC through the development of organization plans, procedure and operations manuals. Similar support will be provided to PICGD to enable its secretarial role to the Development Councils and NPPs.
5. **TAF activities foreseen in Year 1 also include support to the establishment of the newly formed MFPD, and of the secretariats to which both MFPD and PICGD are responsible.** This includes the development and initial implementation of a professional management plan for MFPD staff, and the

establishment and maintenance of a performance information management system for the Directorate, and of technical assistance plans for the operations of the various secretariats supported by both Directorates. The provision of necessary office goods and other related operating inputs is also foreseen for both MFPD and to a lesser extent PICGD. These will largely be availed through retroactive financing to enable quick start-up (upon Project effectiveness) of the substantive outputs planned to be carried out under the TAF.

6. **Table A2.1 below provides a summary of key pre-identified outputs planned in Year 1.** For the purposes of flexibility, additional outputs are not precluded from selection in Year 1, and the outputs and costs outlined below are to be considered tentative and subject to change. A small steering committee (“Core Group”) already exists in MOF and will decide on any changes to or additional outputs to be financed by the TAF in Year 1, and on outputs to be targeted in subsequent years of implementation.

Table A2.1: Tentative Year 1 Activities, Associated Outputs, Inputs and Costs for TAF

Activity	TAF Outputs	TAF Inputs	Estimated Cost (US\$)
Component 1: Supporting the Continuous Improvement of the Performance of MFPD (US\$1,182,000)			
1. Support the development and implementation of medium-term fiscal framework	Fiscal Strategy paper	Consulting Services	216,000
	Cost estimates of existing policy included in the 2017 Fiscal Strategy and 2017 budget document.		
	Rolling forward estimates and roll-over policy paper		
	Follow-up on the pension reforms paper and operationalize modelling for expenditure simulations		
	Improve forward estimates based on macro-economic forecasts and build into the main Macro-Fiscal Model		
2. Support the development and implementation of medium-term budget framework	Revision of Budget Call Circular 1 (BC1) and Cost Estimation Methods	Consulting Services	216,000
	Public Expenditure Review		
	Expenditure Trends Report		
3. Secretariat function to Higher Economic Council	Develop organizational arrangements, procedures, and operations manual for the Secretariat of HEC	Consulting Services	750,000
	Develop Professional Development Plan and Performance Information Management System	Consulting Services	
	Office and IT Equipment	Goods	
Component 2: Supporting the Continuous Improvement of PICGD (US\$262,000)			
1. Secretariat function to Development Councils	Develop operations manual, procedures, and coordination mechanisms for the Development Councils	Consulting Services	100,000
	Establish Archiving System for Council Decisions		
	Convene high level/technical meetings	Non-Consultant Services	
2. Development of National Priority Programs	Draft remaining NPPs	Consulting Services	162,000
	Develop NPP Implementation and Financial Plans (and integrate in the National Budget)		
	Convene NPP Consultations	Non-Consultant Services	

Annex 3: Implementation Arrangements
AFGHANISTAN: TECHNICAL ASSISTANCE FACILITY (TAF)

Project Institutional and Implementation Arrangements

Project administration mechanisms

1. **The proposed Project will be implemented by MOF. MOF will be positioned in the overall lead with responsibility for coordinating and managing the Project on behalf of MOF.** The Director General of MFPD will act as Project Manager and will be supported by a Performance Management Team (PMT) assigned to oversee the performance management system for the Five Year Rolling Plans. The PMT sits in MFPD and is under the overall direction of the DG of MFPD and will provide dedicated staff to the operational functions of TAF under the performance management system. Fiduciary responsibilities and compliance for the Project will be managed by the relevant MOF corporate areas – the Directorates of Finance and Administration, and Procurement).
2. **MFPD will also technically lead the implementation of Component 1 “Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General”.** MFPD will work closely with PICGD which is technically leading on Component 2 “Supporting the Continuous Improvement of the Programs Implementation and Coordination General Directorate”. Implementation coordination between the two Directorates will be ensured through MFPD’s role in MOF where it is responsible for improving coordination amongst several Directorates including PICGD but also Budget, Revenue, and Treasury. Moreover, the Project will be overseen by the existing “Core Group” in MOF which will act as an overall steering committee and make strategic decisions related to the Project’s work program (drawn from the Five Year Plan). The “Core Group” which currently meets on a weekly basis is chaired by the Minister of Finance and includes respective heads of Directorates of MOF (including MFPD and PICGD) as well as an Advisor to the President of the Islamic Republic of Afghanistan.
3. **The proposed Project administration approach is in line with Government’s “Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership” Strategy.** In particular, by not creating an entity such as a PIU and instead relying on existing core Government functions, the proposed approach is contributing directly to Government’s commitment to gradually reduce the dependency on parallel structures. Assessments of the capacity and systems of relevant MOF functions, including Procurement and FM, have been carried out as part of Project preparation. Capacity strengthening needs and relevant actions have been highlighted as part of the assessments carried out. The Bank will support MOF’s implementation of these actions both within the context of implementation of the proposed Project, as well as through its broader engagement. This includes the ARTF-financed CBR Project which is in position to provide additional staffing that may be required by MOF to support its implementation of the proposed Project.
4. **The proposed Project would be carried out in accordance with the Project Operations Manual (POM) to be developed and adopted within 6 weeks of Grant signing.** This will set-out all relevant rules, methods, procedures, guidelines and standard documents.

Financial Management, Disbursements and Procurement

Financial Management

5. **A Public Financial Management (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, European Commission 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.

6. **At the central level, financial management and audit functions for the proposed Project will be undertaken through the agents contracted under the ARTF-financed Public Financial Management Reform Project II.** These are the primary instruments 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 Adviser, is responsible for helping the MOF maintain the accounts for all public expenditures, including IDA/ARTF-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 Supreme Audit office in the performance of Annual audit.

7. **The implementing agency is MOF, and it will carry out the financial management functions for the Project through its Finance and Administration Directorate.** It has prior experience of handling World Bank funded/administered projects.

8. **The Finance and Administration Directorate of MOF has recruited a Financial Management consultant through the CBR Project.** The consultant will provide the required support towards the financial management of the Project. The Bank will conduct Financial Management clinics for the concerned staff to familiarize them with World Bank procedures and requirements, in particular, on the Interim Financial Report (IFR) based replenishment, and will continue to provide needed assistance throughout the life time of the Project.

9. **MOF guidelines for budget preparation will be followed.** Project budget will be based on the procurement plan and annual work plan. The annual budget will be broken down into quarters to facilitate budget monitoring. Actual expenditures will be monitored against quarterly budgets, and will also be reported to the Bank.

10. **There will be retroactive financing facility available, if needed, up to 10% of the total grant value i.e. US\$0.5 million for expenditure meeting the eligibility criteria.**

11. **At the central level, Project accounts will be maintained in MOF Treasury Department in AFMIS (Afghanistan Financial Management Information System), which is responsible for recording all Project expenditures and receipts in the Government's accounting system.** TAF/MOF Finance and Administration Directorate will maintain subsidiary books of records using MS Excel. Reconciliation of Project transactions with AFMIS records and DA bank statements will be carried out monthly by MOF Finance and Administration Directorate.

12. **Quarterly IFRs will be prepared by TAF/MOF Finance and Administration Directorate and submitted to the Bank within 45 days from the end of the period.** The formats for these IFRs will be shared with TAF/MOF Finance and Administration Directorate, and the Bank will provide training on the preparation of the IFR.

13. **The Project follows the centralized payment mechanism applied in Afghanistan and controlled by MOF.** Internal controls are adequate both at the central and implementing agency levels.

There is adequate segregation of duties. Reconciliations will be done on a monthly basis. All these controls will be periodically reviewed by the Bank. Internal Audit of this Project will be carried out by the MOF Internal Audit Unit. The Internal Audit will be carried out on Annual Basis.

14. **A single Project audit will be done by the Supreme Audit Office of Afghanistan with technical assistance from an audit agent.** The financial statements for the Project will be prepared by MOF. The audited financial statements are due within 6 months from the end of the year in which the Project closed. The responsible entity for the Project audit will be MOF and it will facilitate the audit through provision of required documents and responding to audit queries.

15. The Financial Management risk rating for this Project is **Moderate** as MOF has previous experience of managing World Bank funded projects and has sufficient fiduciary capacity. The internal controls are well defined and audit arrangements are in place.

Disbursements

16. **Funds flow arrangements will follow standard procedures applicable to all World Bank funded/ administered projects.** A Designated Account (DA) will be opened at Da Afghanistan Bank (DAB, Central Bank) and the authorized signatory for making payments from the DA will be MOF. TAF/MOF Finance and Administration Directorate will process all payment requests through the Special Disbursements Unit (SDU) of MOF, and will also be responsible to manage the DA. Disbursements will be report based. Withdrawal applications for new advances will be submitted along with the quarterly IFRs indicating the forecast expenditure for six months. The DA will be replenished based on the advance request from MOF as per the IFR. SDU will assist TAF/MOF Finance and Administration Directorate in submission of the withdrawal applications to the Bank. Bank will provide Client Connection access to focal finance staff for the management of the Project.

Procurement Arrangements

17. **Procurement for the Project will be administrated in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 and revised in July 2014; "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 and revised in July 2014; 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 (SBDs), Requests for Proposals, and Forms of Consultant Contract will be used. Goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed SBDs for Afghanistan.

18. **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 of the Islamic Republic of Afghanistan dated October 7, 2015.**

Assessment of the Agency's Capacity to Implement Procurement

19. **MOF will have overall responsibility for all procurement under all components of the Project.** The Procurement Directorate of the MOF would be the procurement focal point for implementation of all procurement activities under the Project.

20. **An assessment of the capacity of the current procurement staff of the Procurement Directorate of the MOF that will have primary responsibility to conduct procurement under the**

Project has been carried out by Rahimullah Wardak (Senior Procurement Specialist) in May 2016. The current Procurement Directorate has 20 staff overseeing procurement proceedings for both major procurement and small procurement. Out of the 20 staff in the Procurement Directorate, six are civil servants, five are contracted staff, and the remaining staff are mid-level and junior procurement staff. This staff will be responsible for conducting procurement for the entire period of the Project. The civil servants staff of the Procurement Director are - Procurement Director, Procurement Manager, Head of Procurement Department of Goods, General Contract Manager, and two Contact Managers. The five contracted staff are responsible for procurement of goods, works and consultant and non-consultant services.

21. **The capacity of the above staff was reviewed and the findings are as follows:** All the above staff are holding Bachelor degrees and possess more than 5 years' experience in procurement of goods, works and consultant services. However, the staff has experience in conducting procurement of small value contracts but do not have sufficient experience to handle large and complex procurement contracts. It was therefore agreed that the Procurement Directorate should be supported by an international procurement expert/advisor.

22. **In order to save cost and streamline the procurement in MOF, it was agreed to transfer the existing international procurement advisor hired under the CBR Project to the Procurement Directorate.** The advisor will be responsible for the quality assurance of the procurement of both the CBR and TAF projects while the actual procurement work will be carried out by the staff of the Procurement Directorate. Gradually the other procurement staff hired under the CBR Project will also be shifted to the Procurement Directorate of the MOF. This will ensure sustainability and will be in line with Decree Number 45 of the President of the Islamic Republic of Afghanistan. Moreover, MOF needs to get accreditation of the National Procurement Authority (NPA) to handle procurement independently without going through NPA.

23. **Based on the above procurement capacity assessment, the threshold of High Risk Implementing Agency will apply for the prior review of the contracts under the Project.** The same is elaborated in the Procurement Plan under Annex 5. The capacity of the MOF Procurement Directorate handling TAF procurement will be periodically assessed during the course of the implementation of the Project, and this threshold will be reviewed and updated accordingly.

Incremental Operating Costs

24. **Incremental Operating Costs (IOC) will be financed by the Project using the implementing agency's (MOF) administrative procedures.** These were reviewed and found acceptable to the Bank. IOC will include operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumable, office utilities and supplies, Bank charges, and advertising expenses but exclude any salaries and allowances of civil servants.

Environmental and Social (including safeguards)

25. **The Project will not include any physical works and does not trigger any environmental or social safeguard policies.** Preparation of Safeguard's frameworks are therefore not planned and recipient is not required to assign dedicated Safeguard's focal points for the Project. However, implementation support will include due consideration on other social sustainability issues within the Project, including gender sensitivity, stakeholder engagement, beneficiary targeting, grievance redress mechanisms and social research on the impacts of the Project. This will be particularly relevant to the monitoring of citizen engagement tools linked to collaborative decision making and GRM. The Project through its support to budget planning, will be engaged with Development Councils, non-government institutions as well as a range of ministries. To this end, a corresponding indicator for effective collaboration in budget preparation

has been included in the TAF's Results Framework and for which recipient is required to measure "National budget allocation determined by National Development Strategy". A further indicator "Coordination among government and international stakeholders for effective aid delivery to achieve the goals of National Development Strategy" assesses the extent to which coordination is effective to ensure that aid is delivered according to the national priorities outlined in the NDS.

Monitoring & Evaluation

26. **The TAF will be completely aligned with MOF's Five Year Plan and its performance management system, ensuring a high level of Government ownership over the TAF.** In this regard, the PMF adopted by the MOF for the implementation of its overall Five Year Plan constitutes the broader or programmatic Results Framework to which TAF contributes. Within MOF a dedicated PMT has been established to oversee the PMF including facilitating the assessments of progress, producing reports and distributing information on performance. TAF, as a tool to support the Five Year Plan and its PMF, will draw on this established monitoring and reporting system. The performance management cycle includes six monthly assessments with independent facilitation and validation.

27. **While the TAF will not have separate reporting, a dedicated Results Framework (Annex 1), drawn from the PMF, has also been developed for the purposes of TAF.** This includes specific aspirational targets and grades from the PMF linked to TAF activities and outputs pre-identified to be covered in the first year of Project implementation. This TAF Results Framework provides a snapshot of TAF's contribution to the overall PMF both in terms of depth (activities) and time (Project lifetime). Critically, by being linked to performance as opposed to outputs, it also provides the space and flexibility for TAF to be responsive and for gradual scale-up in line with evolving priorities and as additional outputs for the TAF (from within the Five Year Plan) become identified. The TAF Results Framework will consequently be measured and reported on as part of the performance management system for the overall MOF Five Year Plan.

28. **The M&E arrangement proposed for TAF reflects lessons and recommendations from IEG reviews of M&E under similar technical assistance projects in other countries.** In several of these, weak monitoring, quality and performance arrangements were the main cause for failure. Learning from these cases and consistent with the PMF, TAF results are framed around improved performance. Rather than being focused on outputs, results are proposed to be focused on performance linked to progress on the aspirational targets and the target grades under the Five Year Plan performance management system in place across MOF.

29. **The TAF will also not directly target reforms but will instead help Government (MOF) drill down to the key issues relevant to each of its selected priority areas drawn from its Five Year Plan.** In this way, the TAF can assist Government to set up the knowledge base required to inform and decide on reform choices. This approach provides the support for MOF under the TAF with the necessary flexibility to adapt and respond to changing Government priorities and space for course correction. In this sense, the TAF although an IPF in terms of financing instrumentation, is designed as a facility. This is based on the recognition that several similar initiatives while successful in producing outputs, have rarely been able to link outputs to delivery (e.g. reform, strategy development etc.).

30. **Moreover, risk of failure of the reform efforts undertaken by the PICGD and MFPD, has been assessed by the authorities and development partners according to methodologies drawn from**

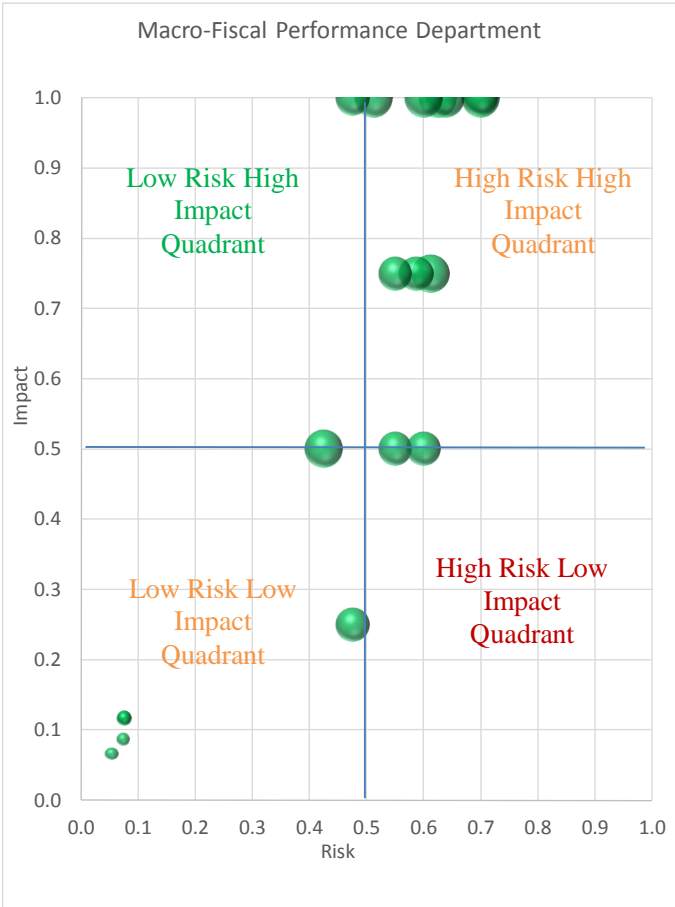
the PEFA Secretariat³. Rating the risk of failure of an activity was assessed under six different dimensions. This was chosen to help deliver a more objective risk assessment rather than one based simply on opinion. These dimensions are:

- (a) **Number of organisations required** – more organizations means a higher risk of failure.
- (b) **The time required** – the longer it takes means a higher risk of failure.
- (c) **Complexity and scope** – the more complex an activity or the wider the scope means a higher risk of failure.
- (d) **Behavior change required** – the more behavior change required the higher risk of failure. If significant change is required of a few people or a small amount of change of many people both imply a higher risk of failure.
- (e) **Visibility** – the more visible an activity is, or how easy it is to link it to real results, means that the risk of failure is reduced (e.g. political support makes it easier to overcome problems); and
- (f) **Existing fiscal management competencies** – the greater the capacity for performing fiscal management the lower the risk of failure. This dimension is a proxy for the need for technical assistance.

31. **Ratings used are high, substantial, moderate, and low, which are all assigned numerical equivalents.** Both raw and standardized scores are used and are equivalent to the notions of relative impact and relative risk. These two components of risk and impact are particularly important for reform programming and team-based performance management. Firstly, they allow for an objective assessment of the risk of failure of a reform option. Secondly, it allows for review of high risk and high impact activities in a way that reduces the risk of failure (e.g. by splitting the activity into phases). Thirdly, it facilitates team-based performance management by recognizing that some teams are focused on more difficult and important technical work compared to other teams. It also provides a solid foundation to produce defensible league tables of reform performance during implementation. It should be noted that the risk of failure should be compared with the importance or impact of the technical work. The authorities undertook an assessment of each reform activity for the Five Year Plan to compare with the risk of failure of the activity. Impact scoring rules were established. For example, assessment of the impact of an activity included its contribution to achieving: improvements in international benchmarks (e.g. PEFA and OBI) and/or perception indexes; more efficient and effective public services; and stability and legitimacy of Government. The results of the risk and impact assessment for MFPD are illustrated in Figure A3.1 below. The complete impact and risk ratings are provided at **Annex 7**.

³ Diamond, 2013, “[Good Practice Note on Sequencing PFM Reforms](#)”, PEFA Secretariat, Washing DC, USA. A successful team-based performance management has been employed in the MOF in Timor-Leste between 2012

Figure A3.1 Risk-Return (& TA) Space for MFPD



Annex 4: Implementation Support Plan

AFGHANISTAN: TECHNICAL ASSISTANCE FACILITY (TAF)

Strategy and Approach for Implementation Support

1. **Implementation support is a core element of the proposed Project and partnership between the Government of Afghanistan and the World Bank.** Implementation support would involve engagement across several dimensions:

- ***Technical:*** The World Bank team would provide expert staff to support the counterpart teams at MOF across all Project areas, including technical oversight, quality assurance and monitoring of outputs and implementation support including on fiduciary aspects. Where relevant the Bank will also deploy and synergize different instruments (dialogue, analysis, lending, technical assistance etc.) for the benefit of the Project.
- ***Financial Management:*** As part of its Project implementation support and supervision missions, the Bank will conduct risk-based financial management implementation support and supervision within a year from the Project effectiveness, and then at appropriate intervals. During the Project implementation, the Bank will supervise the Project's financial management arrangements in the following ways: (a) review the Project's quarterly IFRs as well as the Project's annual audited financial statements and auditor's management letters and remedial actions recommended in the auditor's management letters; and (b) during the Bank's on-site missions, review the following key areas (i) Project accounting and internal control systems; (ii) budgeting and financial planning arrangements; (iii) disbursement arrangements and financial flows, as applicable; and (iv) any incidences of corrupt practices involving Project resources. As required, a Bank-accredited Financial Management Specialist will participate in the implementation support process.
- ***Procurement Supervision:*** Procurement supervision mission would be carried out by the Bank to include: (a) review of procurement plan; (b) physical inspection of any goods procured; (c) consultants' outputs; and (d) reports associated with non-consultant service contracts e.g. meetings workshops, trainings etc. There would be one supervision mission every year to carry out post review of procurement actions.
- ***Environmental and Social Safeguards Supervision:*** The Project will not include any physical works and does not trigger any environmental or social safeguard policies. Bank Environmental and Social Specialists are therefore not proposed as part of the permanent Project team. However, the Bank Social Specialist will be consulted from time to time to provide technical advice on other social sustainability issues within the Project, including gender sensitivity, stakeholder engagement, beneficiary targeting, grievance redress mechanisms and social research on the impacts of the Project. This will be particularly relevant to the monitoring of citizen engagement tools linked to collaborative decision making and GRM. The Project through its support to budget planning, will be engaged with Development Councils, non-government institutions as well as a range of ministries. To this end, a corresponding indicator for effective collaboration in budget preparation "National budget allocation determined by National Development Strategy" " has been included in the TAF's Results Framework. A further indicator "Coordination among government and international stakeholders for effective aid delivery to achieve the goals

of National Development Strategy” assesses the extent to which coordination is effective to ensure that aid is delivered according to the national priorities outlined in the NDS.

2. **Implementation Support would be undertaken regularly.** Implementation support and supervision missions are planned at least six times a year covering technical and fiduciary aspects of the Project. The team members would monitor and report on progress on the key Project activities and their contribution towards achievement of the Project Development Indicators and Project Development Objective. During these implementation support and supervision missions, an assessment would also be made of the risks and updates made, as needed, to the ORAF. Overall Project implementation arrangements would also be assessed with identification of any adjustments that may be needed.

3. **All team members are based in country or in the region.** The TTL is based in the region, while Co-TTL and full implementation support team (including technical, and fiduciary staff) are based in country, which facilitates timely, efficient and effective implementation support.

Implementation Support Plan – Basic Timetable

Table A4.1: Implementation Plan – Basic Timetable

<i>Time</i>	<i>Focus</i>	<i>Skills Needed</i>	<i>Resource Estimate</i>	<i>Partner Role</i>
First twelve months	<p>Ensuring fiduciary staff are equipped to make a strong start on the procurement of key project inputs and activities;</p> <p>Ensuring full understanding of and compliance with the World Bank’s fiduciary requirements;</p> <p>Ad hoc social sustainability support</p> <p>Quality assurance of relevant thematic TORs and outputs</p> <p>Technical support to initiate project activities</p>	<p>Procurement</p> <p>Procurement/Financial Management</p> <p>Social Specialist</p> <p>Cross-GP Teams</p> <p>Full team</p>	US\$200,000	<p>Client staffing of the MFPD, and of MOF corporate areas especially procurement staff</p> <p>Regular reporting to the World Bank and active engagement in supervision missions.</p>
12-48 months	<p>Ensuring technical quality;</p> <p>Ensuring fiduciary (and social sustainability) compliance;</p> <p>Quality assurance of relevant thematic TORs and outputs</p>	<p>Technical specialists</p> <p>Fiduciary/Social Specialists</p> <p>Cross GP Teams</p>	US\$600,000 (\$200,000 p.a.)	

	On-going technical support and supervision	Full team		
Other				

Table A4.2: Skills needed and time requirements (per annum)

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task Team Leader	8	6	TTL region-based
Co-TTL	6	0	Based in-country
Public Sector Specialist	6	0	Based in-country
Procurement	4	0	Based in-country
Financial Management	2	0	Based in-country
Social Specialist	1	0	Based in-country
Senior Consultant	2	0	DC-based
Support Consultant	2	0	DC-based
Cross-GP Teams	4	0	Based in-country or region

Annex 5: Procurement Plan

AFGHANISTAN: TECHNICAL ASSISTANCE FACILITY (TAF)

I. General

1. Procurement for the Project will be administrated in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated January 2011 and revised in July 2014; “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated January 2011 and revised in July 2014; 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. Goods following National Competitive Bidding (NCB) procedures shall be procured using the agreed Standard Bidding Documents (SBDs) for Afghanistan.

2. 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 October 7, 2015.

II. Project Information

Country: Afghanistan
 Project Name: **TECHNICAL ASSISTANCE FACILITY (TAF)**
 Project ID: P157035
 Grant No: TF0A2839
 Project Implementing Agency: Ministry of Finance

Bank’s approval Date of the Procurement Plan for Project Preparation Grant: TBC

Date of General Procurement Notice: TBC

Period covered by this procurement plan: 18 months

II. Goods and non-consulting services.

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

	Procurement Method	Prior Review Threshold US\$	Comments
1.	NCB (Goods) packages (< USD 100,000 and < USD 500,000)	> US\$ 200,000 and first contract irrespective of estimation	All the contracts subject to retroactive financing
2.	Shopping (Goods) packages (≤USD 100,000)	First contract	All the contracts subject to retroactive financing
3.	Direct contracting (Goods)	All the contracts irrespective of estimation	All the contracts subject to retroactive financing

4. **Prequalification.** No prequalification is envisaged.
5. **Proposed Procedures for Community participation in Procurement (as per paragraph. 3.19 of the Guidelines):** NA.
6. **Reference to (if any) Project Operational/Procurement Manual:** *Operational Manual for Technical Assistance Facility to be approved by the Bank.*
7. **Any Other Special Procurement Arrangements:** Some furniture, IT equipment and software envisaged under Component 1 may be procured in accordance with the provisions of paragraph 1.11 of the Procurement Guidelines.

Procurement Packages with Methods and Time Schedule

On the later stage the details (description of packages, schedule, methods etc.) should be provided.

1	2	3	4	5	6	7	8
Ref. No.	Description	Estimated Cost US\$ Million (tax inclusive amount)	Number of packages	Domestic Preference (yes/no)	Envisaged start of procurement process	Review by Bank (Prior / Post)	Comments
TAF/G-1	Summary of the NCB (Goods) packages (2 contracts)	0.12		NO	June.2016	Prior / Post	
TAF/G-2	Summary of the Shopping (Goods) packages	0.0457		NO	June.2016	Prior / Post	
	Total	0.1657					

III. Selection of Consultants

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

	Selection Method	Prior Review Threshold	Comments
1.	Competitive Methods (Firms)	> US\$ 200,000 and first contract under each method of selection irrespective of estimation	
2.	Single Source	All the contracts irrespective of estimation	
3.	Individual	> US\$ 100,000 and first contract	
4.	Sole source selection	All the contracts irrespective of estimation	

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

10. **Any Other Special Selection Arrangements:** *Select Consultants' Services envisaged under Component 1 may be procured in accordance with the provisions of paragraph 1.14 of the Consultant Guidelines.*

11. **Consultancy Assignments with Selection Methods and Time Schedule**

At a later stage the details (description of packages, schedule, methods etc.) should be provided.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost US\$ million	Selection Method	Envisaged start of procurement process	Review by Bank (Prior / Post)	Comments
TAF/C-1	Support the development and implementation of medium-term fiscal framework (4 contracts)	0.216	CQ	Jul.2016	Prior / Post	
TAF/C-2	Support the development and implementation of medium-term budget framework (4 contracts)	0.216	CQ	Jul.2016	Prior / Post	
TAF/C-3	Secretariat function to Higher Economic Council (2 contracts)	0.3843	CQ	Jul.2016	Prior / Post	
TAF/C-4	Secretariat function to Development Councils (4 contracts)	0.1	CQ	Jul.2065	Prior / Post	
TAF/C-5	Development of National Priority Programs (8 contracts)	0.162	CQ	Jul.2016	Prior / Post	
TAF/C-6	Staff Trainings and Seminars	0.2	SOE	Jul.2016		
TAF/C-7	High level, technical meetings and consultations	TBD	SOE	Jul.2016		
	Total Consultant and Training Services	1.2783				