Report Number: ICRR0023303

1. Project Data

Project ID	Project Name
P166127	Afg. Regional Displacement Project
Country	**Practice Area(Lead)**
Afghanistan	Social Sustainability and Inclusion

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-D4160,TF-A9092	31-Dec-2023	28,226,488.95
Bank Approval Date	**Closing Date (Actual)**	
19-Dec-2018	31-Dec-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	200,000,000.00	50,000,000.00
Revised Commitment	157,404,224.73	7,404,224.73
Actual	28,226,488.95	6,207,010.38

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

The Project Development Objective (PDO) was to strengthen the enabling environment for economic opportunities in cities where there is a high influx of displaced people.

The PDO was not revised.

For the purposes of this ICR review, the objective will not be broken into parts but will be assessed as one PDO.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

Yes

d. Components

1. Original components:

Component 1 – Regional and National Integration of Displaced Persons (cost at appraisal: US$4.5 million; actual cost: US$1.25 million) – supported voluntary repatriation of Afghan refugees from Pakistan by: (i) enhancing Ministry of Foreign Affairs' (MoFA's) capacity to provide consular services (such as issuance of passports and verification of certificates); and (ii) developing and implementing a joint communication strategy for MoFA and Ministry of Refugees and Repatriation (MoRR) for Afghan refugees in Pakistan regarding economic opportunities in Afghanistan. Activities included, inter alia: (i) purchase of passport processing equipment and related training; (ii) contracting temporary staff for the Operations Support Center in Kabul and the MoFA missions in Pakistan, and establishing information centers in Pakistan; (iii) setting up a helpline and a website; and (iv) disseminating information.

Component 2 – Short-Term Employment Opportunities, Reforms, and Market Enabling Infrastructure under the Independent Directorate of Local Governance (IDLG) (cost at appraisal: US$120.5; actual cost: US$17.61 million) - financed the following activities in cities with a high influx of displaced people:

(i) Creating short-term employment opportunities through Maintenance and Construction Cash Grants (MCCG). The design of the World Bank's Citizens' Charter Afghanistan Project (CCAP) was to be followed: NGOs would be contracted as Facilitating Partners (FPs) to mobilize 1,160 urban Community Development Councils (CDCs), which would be then supported to develop and implement MCCG subprojects through a participatory process. Grants of up to US$27,000 would be disbursed to CDCs, with at least 60 percent of the total used for wages, benefitting 80,000 vulnerable households.

(ii) Investing in market enabling infrastructure in 12 Provincial Capital Cities (PCCs) through Gozar and Business Gozar Grants. This would involve mobilization of 232 Gozar Assemblies (GAs) and 75 Business Gozar Assemblies (BGAs) to develop and implement market-enabling subprojects through a participatory process. Grants of up to US$200,000 would be channeled to GAs/BGAs.

(iii) Supporting municipal regulatory and process reforms through regulatory assessments to identify priorities in Government to Business (G2B) services and to identify options for regulatory simplification.

Component 3 - Prioritized Urban Investments in Four Provincial Capital Cities (cost at appraisal: US$25.0 million; actual cost: US$4.5 million) – financed (i) strengthening of the municipal public financial management (PFM) systems and (ii) priority investments in four PCCs. Performance grants would be awarded against achievement of performance criteria to fund priority projects selected through inclusive and participatory consultations led by municipalities, in coordination with Municipal Advisory Boards (MABs) and the private sector.

Component 4 - Market Enabling Infrastructure and Reforms for Kabul Municipality (KM) (cost at appraisal: US$40.0 million; Actual cost: US$2.57 million) - addressed challenges faced by Kabul's private sector (including formal, semi-formal, and informal segments) by: (i) assisting KM to implement municipal regulatory market reforms; and (ii) financing investments in market upgrading and connectivity improvements (e.g., roads, drainage, electricity connections, and warehouses).

Component 5 - Red Carpet and Program Coordination (cost at appraisal: US$10.0 million; Actual cost: US$2.29 million) - supporting business friendly national level regulatory reforms (including assistance to Ministry of Economy (MoEC), feasibility assessment of business service centers, and coordination with relevant ministries and agencies) and Project management.

2. Changes in components and indicators during implementation:

Restructuring of October 9, 2020 was to re-focus the Project on COVID-19 response, "specifically to provide relief grants to local businesses and create rapid employment opportunities in the target cities" Restructuring Paper, page 5). No additional financing was involved, but the funds were reallocated among disbursement categories. The following main changes were made:

- Addition of a Subcomponent to Component 2: ***Emergency Relief Grants for Local Businesses***. The emergency cash grants were to help local Afghan businesses to sustain their operations over the crisis period. Standard one-time relief packages in the amount of US$250 equivalent per business was envisioned, to benefit more than 25,000 businesses.

- Addition of Labor Intensive Public Works to the Prioritized Urban Investments in four participating PCCs under Component 3 to support COVID-19 recovery. The list of eligible Priority Investment Projects (PIPs) was expanded to facilitate temporary job-creation for unskilled and semi-skilled laborers.

- Addition of a Subcomponent to Component 4: ***Emergency Economic Relief in Kabul***. This would support households and micro and small businesses in Kabul through labor intensive public works, such as constructing walkways, constructing and cleaning drainage canals, repairing public buildings, paving open market spaces, and constructing public toilets. The average of six $60,000-projects was to be implemented in each of the 22 districts of KM.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The appraisal estimate was US$200.0 million, and the actual Project cost (the amount disbursed at closure) was US$28.2 million.

Project Financing: The Project was financed by an International Development Association (IDA) grant (US$150.0 million at appraisal and US$22.0 million at closure) and an Afghanistan Reconstruction Trust Fund (ARTF) grant (US$ 50.0 million at appraisal and US$6.2 million at closure).

Borrower/Recipient contribution: There was no Borrower contribution.

Changes in project financing due to AFs and restructurings:

- As part of the country's portfolio-level action, US$6.25 million was cancelled on June 25, 2020 and redirected to COVID-19 needs.

- The undisbursed ARTF commitment of US$36.4 million was cancelled in April 2022 due to the August 2021 government takeover and the phasing out of the WBG portfolio in the country.

Project Dates: The Project was approved on December 19, 2018 and became effective on February 6, 2019. There was one restructuring, approved on October 9, 2020 (ICR datasheet). The original closing date was December 31, 2023. Due to the collapse of the government in August 2021 and the following political turmoil, the WBG's country portfolio, including the Project, was suspended on February 17, 2022 and then phased out. Actual closing was on December 31, 2022.

Reverse Split Evaluation: Due to the collapse of the government in Afghanistan, this evaluation will undertake a reverse split evaluation approach, as approved by OPCS. The Revised Project will be assessed from the government takeover in August 2021 to Project closure reflecting any progress already made towards the project objective.

3. Relevance of Objectives

Rationale

Country context: At Project approval, Afghanistan was experiencing economic stagnation and deterioration, an increasing conflict, and deepening internal political fragmentation. Average annual GDP growth fell to 2.5 percent between 2015-2020, below the rate of population increase. The impact of COVID-19 was significant and led to a two-percent economic contraction and a sharp increase in poverty. An estimated 60-70 percent of the population lived in poverty at the end of 2020. The collapse of the government in August 2021 triggered further economic crisis and a withdrawal of most international aid.

Relevance to the national priorities at approval: The PDO was relevant to the country conditions and well-aligned with national priorities. The Project was consistent with basic principles agreed between the donor community and the Government of the Islamic Republic of Afghanistan as part of its Displacement Strategy (of the Displacement and Returnee Executive Committee) on how to address the displacement challenge both within the country and for Afghan refugees in Pakistan. The strategy stated that (i) humanitarian assistance should transition to permanent solutions based on sustainable development as rapidly as possible; (ii) 100 percent registration for all undocumented returnees, on a fast-track basis is ensured; (iii) the Government would provide facilitation services for those returnees voluntarily relocating or re-establishing their businesses in Afghanistan; and (iv) a "whole of community" approach should be followed when possible.

Relevance to the WBG's assistance Strategies at approval: The World Bank country strategy at approval was based on three pillars: (i) building strong and accountable institutions; (ii) supporting inclusive growth; and (iii) expanding and deepening social inclusion (Country Partnership Framework (CPF), 2016).

The Project was also aligned with the three pillars of the CPF for FY2017-FY2020. The Project was designed to directly contribute towards the three pillars through the establishment and strengthening of the community level institutions (pillars (i) and (iii)), investments in market-enabling infrastructure (pillar (ii)), and business friendly regulatory reforms (pillars (i) and (ii)). The Project also included a regional focus in addressing the Afghan refugee situation in Pakistan.

Relevance at the time of the government takeover (August 2021). The PDO remained relevant to the national priorities and the WBG's Assistance strategies until the takeover in August 2021. The CPF for fiscal years 2017-2020 was subsequently extended by the Performance and Learning Review for two additional years to cover FY21 and FY22. These priorities were fully consistent with the Government strategy.

The relevance of objectives is rated high due to its full alignment with the country strategy and government priorities at appraisal and up to the suspension of the WBG's country program due to the August 2021 government takeover.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To strengthen the enabling environment for economic opportunities in cities where there is a high influx of displaced people.

Rationale

The theory of change (ToC), developed for the ICR, showed a direct, logical causal chain from inputs to outputs and to outcomes. Under the first results chain, physical and labor inputs into issuing passports and informing the refugees about the return process were intended to lead to obtained passports (output), and further to the improved return process for the refugees (outcome 1). Under the second results chain, the inputs consisting of regulatory reforms, the formation of municipal business councils, performance-based investments, and short-term employment would lead to improved infrastructure and municipal reforms (outputs), and further to improved institutional, regulatory conditions and better quality infrastructure (outcome). The third results chain would support Project coordination and implementation.

The inputs were logically linked to the outputs, and the TOC showed how the outputs, in turn, were linked to various outcomes, as well as the interlinks in the cause-effect relationships between outputs and outcomes.

The level of results achieved by Project closure in the area of supporting regional and national integration of displaced persons was as follows:

1. None of the Afghan Passport Applications in Pakistan was processed, against the results framework (RF) target of 80 percent (PDO indicator 1). The target was not achieved. Consequently, a related RF target of 1,500,000 passports to be issued was not achieved either. The ICR notes that as of August 15, 2021, the new equipment and systems needed for processing passports had not been installed in any of the Afghan missions in Pakistan. Some equipment had been procured and some had been shipped, but the system had not been launched. (ICR, page 17)

2. The number of people reached through the Project's communications activities was zero, against the RF target of 750,000 people. The target was not achieved.

The level of results achieved by Project closure in the area of creating short-term employment opportunities was as follows:

1. The number of vulnerable households (in the cities with a high number of internally displaced persons (IDPs)/returnees) who were provided with short term employment was 6,932 against the RF target of 80,000 households (PDO indicator 2). The target was not achieved. The ICR notes that a rapid progress with the mobilization of CDCs following a slow start caused by procurement challenges of the FPs, and that as of August 15, 2021 the Project was on target to meet the PDO 2 indicator target by original closing date of December 31, 2023. (ICR, page 17)

2. The share of female CDC members was 50 percent, against the RF target of 40 percent. The target was achieved.

The level of results achieved by Project closure in the area of market facilitating investments was as follows:

1. Two market enabling infrastructure subprojects (PDO indicator 3) were finalized, against the target of 1,115. The target was not achieved. The ICR notes that delays with the procurement of FPs for Component 2 resulted in no MCCG or GA/BGA Grant subprojects completed as of August 15, 2021. Delays with the implementation of PIPs under Components 3 and 4 were caused by a potential COVID-19 related cancellation of Component 3 funds, as well as by the challenges in certifying the land ownership of proposed PIPs in KM. However, implementation accelerated in 2021 to likely reach the PDO 3 target by the project closing date. (ICR, page 18)

2. Three municipalities were holding Project coordination meetings with government authorities, Gozar assemblies and Business Gozar assemblies, against the RF target of 11. The target was not achieved.

3. Three Gozars prepared their economic development plans, against the RF target of 276 Gozars. The target was not achieved.

4. No market enabling investments addressing the gender gap in access to urban economic centers/ markets was implemented, against the RF target of 35 investments. The target was not achieved.

The level of results achieved by Project closure in the area of red-carpet reforms was as follows:

1. Processing (for Doing Business indicators) (PDO indicator 4) was reduced by zero steps, against the RF target of 13 steps. The target was not achieved. The target was not achieved. However, as the ICR notes, most of key intermediary activities required to achieve this target were completed, and a consulting firm

conducting feasibility studies for Business Service Centers had completed 70 percent of the deliverables. Based on the overall progress, the Project was well on its way to achieving this target by original closure.

2. Five reform implementation plans were prepared, against the RF target of five. The target was achieved.

3. No reduction in time needed to obtain a construction permit for commercial properties in Jalalabad, Kandahar, Herat, and Kabul was achieved, against the RF target of 77 days. The target was not achieved.

The level of results achieved by Project closure in project management was as follows:

1. The number of inquiries regarding access to information that were handled within agreed service standards was five, against the RF target of 50. The target was not achieved.

2. All complaints/grievances were resolved following agreed service standards, against the RF target of 80 percent. The target was achieved.

Under the restructuring of October 9, 2020, two intermediate indicators were added to the RF, and the progress with achieving the related targets was as follows:

1. No businesses had received cash grants by Project closure, while the target was 20,000 businesses.

2. The number of workdays created in Kabul in relation to the Covid-19 economic recovery was 277,287, while the target was 850,000 days.

Overall, under the Original Project and the post-Covid-19 restructuring, almost none of the expected RF results were achieved by Project closure, with the exception of three secondary level intermediate indicators: *the share of female CDC members*; *reform implementation plans prepared*, and *complaints/grievances resolved*. The ICR notes that at the time of the Project's suspension (August 15, 2021), it was on its way to reaching the RF targets by the originally planned closure within three out of four areas - creating short-term employment opportunities in cities with a high influx of displaced people; market facilitating investments; and red-carpet reforms - while progress under the fourth area - supporting regional and national integration of displaced persons – was below target. However, Project suspension in the middle of implementation and then cancellation prevented it from happening. Also, at the time of the Project's suspension, the originally planned Project closure was still two years ahead, making the target achievement estimates imprecise. In addition, the ICR data on the progress toward the achievement of the RF targets at the time of suspension are limited. Thus, the rating of the Original Project is negligible.

Rating
Negligible

OBJECTIVE 1 REVISION 1
Revised Objective
To strengthen the enabling environment for economic opportunities in cities where there is a high influx of displaced people.

Revised Rationale
Please see the discussion of the ToC under the Original Project.

The ICR reports that no additional progress post-August 15, 2021 was achieved within any of the Project areas.

Revised Rating
Negligible

OVERALL EFFICACY

Rationale
For the Original Project, the efficacy is Negligible: while adequate progress was made toward several RF targets by August 15, 2021, only three minor targets (non-critical for the achievement of the Project objective) were reached by actual Project closure.

Overall Efficacy Rating	Primary Reason
Negligible	External shock

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale
For the Revised Project, the efficacy is Negligible: no additional progress was achieved on Project activities following project suspension and subsequent cancellation of remaining funds.

Overall Efficacy Revision 1 Rating	Primary Reason
Negligible	External shock

5. Efficiency

Economic analysis. At appraisal, economic analysis for the Project was not conducted. The PAD notes that "since most of the activities financed by the Project (i.e., types of MCCG subprojects, Gozar and Business Gozar subprojects, city-level Priority Projects) would be demand-driven, an ex-ante quantifiable cost-benefit analysis was not feasible" (PAD, page 80). At closure, no economic analysis was performed either. The ICR notes that Project efficiency could not be assessed or rated since Project implementation was suspended abruptly at the mid-term mark.

Administrative efficiency. The project was largely built on the existing operational platforms and implementation arrangements of three other World Bank projects and shared the PIUs with those projects, as related to Components 2 and 4. This expedited the start of implementation of those components and helped to reduce the overall Project management costs. The launch of Components 1, 3, and 5 activities required more time as the PIUs had to be formed from scratch. (ICR, page 21) Although the rollout of activities experienced a substantial delay, once rolled out, the implementation progressed as expected (please see the efficacy analysis), and the Project was generating outcomes at the expected efficiency level for all components except Component 1. (ICR, page 19)

There were several implementation problems negatively affecting Project efficiency. *First*, Component 1 was affected by a very high rate of staff turn-over in MoFA, often accompanied by prolonged periods of vacancies; and political interference regarding recruitment and procurement, resulting in delays. *Second,* forming and maintaining stable PIUs was a constant challenge across Project components. *Third,* the procurement of the FPs was delayed (and, as a result, Component 2 activities were delayed by 18 months) due to disagreements regarding the evaluation criteria; poor quality of technical evaluation reports; and extensive time (nine months) that took the National Procurement Committee (NPC) to approve the contracts. *Fourth*, due to frequent IDLG auditing investigations from late 2019 to early 2020, IDLG's management was very risk averse and refrained from making decisions on procurement, leading to delays with Component 3. *Fifth*, the implementation of PIPs under Component 4 experienced delays as KM faced challenges in confirming land ownership of the PIP sites and had to identify replacement PIPs. *Sixth*, COVID-19 caused additional delays and inefficiencies. (ICR, pages 21-23)

Efficiency Rating

Modest

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

<u>The relevance of objectives is rated High</u> due to its full alignment with the country strategy and government priorities at appraisal and up to the August 2021 government takeover. For both the Original Project and the Revised Project, the <u>efficacy is Negligible</u>: while progress was made toward the outcome targets, almost none of the targets was achieved by the actual closure date. <u>Efficiency is rated Modest</u>. No economic analysis was conducted at appraisal or at closure. The administration efficiency was inadequate, considering issues with inefficiencies of government agencies, PIU inefficiency, procurement delays, and land ownership challenges. COVID-19 impact exacerbated implementation bottlenecks.

Given the overall outcome rating is Unsatisfactory for both the Original and the Revised project, the overall outcome rating is Unsatisfactory.

a. Outcome Rating

Unsatisfactory

7. Risk to Development Outcome

The ICR reports that despite the abrupt stop to the WBG engagement in Afghanistan after the August 2021 government takeover, the following cancellation of the Project, and the economic crisis in the country, the Gozars and Business Gozars established through the Project are likely to endure. It remains to be seen if these structures prove sustainable in light of considerable deterioration of the economy. The economic crisis is particularly affecting firms and households: two-thirds of businesses have suffered from a decline in consumer demand while firms have laid off more than half of the employees. At the same time, the need for collective actions by local businesses and stakeholders has risen, and the GAs and BGAs established through the Project could continue to play key roles. (ICR, page 30)

8. Assessment of Bank Performance

a. Quality-at-Entry

The ICR reports that the best features of the Project design were as follows: (i) support to the whole community, rather than only to IDPs/Returnees; (ii) focus on medium to long term economic and social integration, rather than short term humanitarian assistance; and (iii) the red-carpet approach promoting investor friendly processes. Within “the whole of community” approach, inclusion of women in accessing the benefits of the Project was enhanced through the requirements for FPs and GAs to explore investments supporting women’s economic empowerment and assess challenges faced by them in obtaining civil documents. The Project adopted the implementation arrangements of three other World Bank projects, which reduced the time required to establish PIUs. The integrated M&E system for the Project, linking five independent M&E systems and a MIS for the five components minimized duplication. (ICR, page 27-28)

However, the Project design was complex considering multiple components, PIUs, and implementation agencies. The implementation of five components by five PIUs in four IAs under varying political lines was complex and required substantial efforts. Another complication was that grant allocations under Components 3 and 4 were contingent on pre-conditions that could not be controlled by the municipalities and were hard to verify, and therefore incentives-based funding allocations did not proceed as planned. Political and implementation risks were assessed as High, but the mitigation measures were not sufficient: the risk factors of political relationships among the four IAs, the Borrower (MoF), NPC, and the auditing agencies were not assessed adequately, leading to inefficiencies in reporting, approval, and coordination processes. (ICR, page 27-28)

Quality-at-Entry Rating
Moderately Unsatisfactory

b. Quality of supervision

The ICR reports that the team was proactive in resolving implementation challenges. These included the removal of the third tranche release conditions for Components 3 and 4; the introduction of LIPWs and Emergency Relief Grants for Local Businesses in response to the COVID-19 impact; and delays with the procurement of FPs. The implementation was closely monitored: both bi-annual implementation support missions and bi-weekly meetings were conducted. During the COVID-19 lockdown, virtual meetings were conducted daily. (ICR, page 29)

However, the Project experienced significant delays at the start of implementation, attributable to both a complex design and political and administrative (recruitment and procurement) constraints. This could have been mitigated better. In addition, Project restructuring in 2020 took eight months, and it should have been efficient. The ICR explains it by multiple changes in the restructuring-related proposals and decisions by the World Bank, such as the amount of financing and cancellation of a component. (ICR, page 29)

Quality of Supervision Rating
Moderately Satisfactory

Overall Bank Performance Rating
Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

Overall, the Project's RF adequately reflected the Project interventions and was sufficiently linked to the PDO. All indicators were quantitative, time-bound, and attributable to the Project. Most of the indicators had baselines and targets (with the exception of two indicators with no targets). There were several gender indicators. The RF extensively measured the Project’s outputs and outcomes, was very detailed, and covered all areas of Project investments. The PDO indicators were reflective of the main Project outcomes, while the intermediate indicators reflected both intermediate outcomes and outputs.

The ICR reports that the MoEC, as the lead IA, was responsible for overall coordination of the Project’s M&E, which included monitoring and reporting on Project performance, updating the results framework, consolidating progress reports every quarter, and ensuring that M&E systems across the IAs were functioning well. To assess Project results beyond the data collected through the RF indicators, an impact assessment study to collect baseline, mid-point, and end-point data was planned. (ICR, page 25)

b. M&E Implementation

The ICR reports that the M&E and MIS specialists were hired as planned, and the quarterly Project reports were prepared as scheduled. Annual M&E plans were developed at the beginning of every fiscal year for all components. Upgrades were also made to the MIS during Project implementation. In addition, PIU MIS staff were trained on using the Kobo Toolbox to create tablet/smartphone-based monitoring forms. The technology was expected to enhance the ease, accuracy, and reliability of monitoring data to be collected in the field, especially related to CDCs, GAs, and BGAs under Component 2. However, given little Project implementation progress was made, not many of the monitoring activities took place, and the use of MIS was limited. The preparation of the methodology for impact assessment and the collection of the baseline data experienced delays. The procurement of the consulting firm to undertake these activities took over a year, as there were issues with technical evaluation and negotiations. It took until January 2021 (almost two years after Project effectiveness) for the consulting firm to sign the contract. Baseline data could still be collected on time, since little implementation progress had been made. However, given the late timing of the baseline data collection, the mid-point data collection was cancelled. (ICR, page 25-26)

c. M&E Utilization

The ICR reports that while the M&E arrangements were not used to their full potential since project activities were put on hold before they were fully rolled out, the MIS and associated reports were used regularly by the PIUs/IAs and the World Bank's task team to update and adjust work plans, budgets, and address the challenges identified. For Component 2, M&E was systematically embedded in the implementation procedures, and specific forms had to be filled in, entered in the MIS, and approved by designated parties to proceed with Project activities. This embedded M&E mechanism ensured not only that the status was tracked for each of the implementation status, such as BGA/CDC/GA formation, opening of bank accounts, subproject proposals, grant disbursement, but also that the processes were followed correctly before proceeding to the next steps. The MIS was also used by Component 5 PIU to record and track the status of agreed actions from Implementation Support Missions (ISMs) and follow-up with responsible parties. (ICR, page 26)

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental and Social Safeguards. The Project was subject to two safeguards policies: Environmental Assessment (Operations Policy (OP)/Bank Procedures (BP) 4.01) and Involuntary Resettlement (OP/BP 4.12). The Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) were finalized and publicly disclosed after stakeholder consultations in November 2018. The Project complied with the safeguards policies, and the overall safeguards rating as well as the performance ratings for the two safeguards policies remained Satisfactory throughout Project implementation. (ICR, page 27)

b. Fiduciary Compliance

Financial Management (FM). The FM performance was rated Satisfactory at the start of implementation, but soon was downgraded to Moderately Satisfactory and stayed at that level throughout the rest of the Project life. The main reasons were the recruitment of FM staff, which was initially delayed by some implementing agencies (IAs), and delays (by the IAs) with completing such actions as submission of quarterly financial reports and cash flow projections. Otherwise, FM was implemented as per the applicable policies and the Project Operations Manual (POM). (ICR, page 27)

Procurement. The procurement performance was rated Satisfactory at the implementation start, but was soon downgraded to Moderately Satisfactory and stayed at that level throughout the remainder of the Project, reflecting the significant delays with the implementation of procurement activities, especially under Components 1, 2, and 3. The reluctance of IA officials to make procurement decisions due to the ongoing auditing investigations and political interference, as well as the lengthy approvement of contracts by the NPC were the key reasons for the delays. Otherwise, procurement was consistent with the applicable policies and the POM. (ICR, page 27)

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Unsatisfactory	Unsatisfactory	
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons are based on the ICR, with minor adjustments. They can be used in the FCV context beyond Afghanistan.

1. When sharing a PIU with other projects, realistically assessing its capacity to avoid implementation inefficiencies is critical. The Project shared the PIUs with three other World Bank projects, which helped to reduce time for recruitment and training and utilize resources efficiently. However, the Project required additional staff given its complexity, scale, and geographic coverage. Unfortunately, hiring could not go forward because the MoF had a requirement to reduce the overall number of PIU staff in the government. This led to the increasingly unsustainable workload for the PIU staff across units. The capacity constraints exacerbated delays with Project implementation, especially when new responsibilities were taken by the PIUs for Components 2 and 3 due to a new COVID-19 emergency project. The lesson is that when sharing a PIU with another project, assessing the staffing needs and ensuring that new positions can be created can be critical for timely project implementation.

2. The Project's experience showed that an assessment of the utility, attributability, feasibility, and verifiability of the conditions before introducing incentive-based fund transfers, especially in an FCV context, should be part of the Project design. Implementation of some Project activities was contingent on meeting pre-conditions: in order to provide incentives for the target municipalities to proceed with the reforms, funds for PIPs under Components 3 and 4 were to be released on a performance basis. This set-up did not work because the achievement of the pre-conditions was not under control of the municipalities and the IAs, and the verification of the achievements was too complicated. The Project ended up removing the pre-conditions. The Project would have benefited if the design of the incentive-based fund transfers involved ensuring that the pre-conditions were: (i) fully within the controls of the beneficiary entities, (ii) realistic, and (iii) easy to verify.

3. Flexibility should be encouraged to allow diverse operational procedures and to avoid unnecessary standardization of procedures in the PIUs that implement more than one project. Many components and IAs in the Project created coordination challenges. The Project's five components, implemented by five PIUs in four IAs made project-level management and coordination complex. While Components 2, 3, and 4 had to be coordinated with their parent Bank projects, each of which had differing implementation and monitoring arrangements, the components also had to be coordinated within the Project. This was prone to create confusions and complications among the PIUs. Consistent application of fiduciary policies across all components was also difficult, since the PIUs were inclined to apply the policies of their parent projects. In the future, when multiple IAs and PIUs are used in Project implementation, avoiding the unnecessary standardization of implementation arrangements could be considered.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provides a detailed history of the Project; a good justification of the PDO relevance; comprehensive and robust evidence; a clear linking of evidence to findings; and sufficient information and analysis to understand how the activities led to the expected outcomes and further to the intended impacts. The ICR has internal consistency. The lessons learned are related to the narrative and the ratings and are useful for future lending operations. However, the ICR's information used for evaluating the Project's efficacy could be more detailed and extend beyond the PDO indicators to using the rest of the extensive RF as well. Also, the efficacy section of the ICR creates the impression that the Project was almost fully on track to achieving its objectives while, in fact: (i) it did not achieve any of the critical targets and only reached three of the minor targets; and (ii) the Project was still two years from its planned closure and, considering a very low level of outcome achievement, the reliability of such projections might be low. Despite this weakness, the overall quality of the ICR is Substantial.

a. Quality of ICR Rating

Substantial