



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

Appraisal Stage | Date Prepared/Updated: 14-Nov-2017 | Report No: PIDISDSA22490



BASIC INFORMATION

A. Basic Project Data

Country Afghanistan	Project ID P159655	Project Name Fiscal Performance Improvement Support Project (FSP):	Parent Project ID (if any)
Region SOUTH ASIA	Estimated Appraisal Date 24-Aug-2017	Estimated Board Date 19-Dec-2017	Practice Area (Lead) Governance
Financing Instrument Investment Project Financing	Borrower(s) Islamic Republic of Afghanistan	Implementing Agency Ministry of Finance, National Procurement Authority, Supreme Audit Office	

Proposed Development Objective(s)

To contribute to the improvement of domestic revenue mobilization and public expenditures management, and of reinforcing a performance oriented management culture in the Ministry of Finance.

Components

- Component 1: Budget as Tool for Development
- Component 2: Revenue Mobilization
- Component 3: Treasury Management, Accountability, and Transparency
- Component 4: Institutional Capacity Building and Performance Management

Financing (in USD Million)

Financing Source	Amount
Afghanistan Reconstruction Trust Fund	75.00
IDA Grant	25.00
Total Project Cost	100.00

Environmental Assessment Category

C - Not Required

Decision

The review did authorize the preparation to continue



Other Decision (as needed)

B. Introduction and Context

Country Context

1. **Afghanistan is a poor, deeply fragile and conflict affected country.** It has been in almost constant conflict for over 35 years with no durable political settlement established. This has had a destabilizing effect on social cohesion, exacerbating ethnic divisions and weakening government institutions and rule of law. Gross Domestic Product (GDP) per-capita is among the lowest in the world, poverty is deep and widespread, and social indicators are still at very low levels. About 39 percent of the population lives in poverty and roughly another one third is susceptible to dropping below the poverty line. Widespread poverty and limited access to services lead to poor living standards for most of the population; Afghanistan's Human Development Index (HDI) ranking is 171st out of 188 countries.

2. **Following a sustained period of impressive development progress after the fall of the Taliban, Afghanistan is currently undergoing a difficult adjustment.** With an influx of aid since 2002, Afghanistan sustained rapid economic growth and improvements against important social indicators for more than a decade. Annual growth averaged 9.4 percent between 2003 and 2012. With the withdrawal of international security forces¹ starting in 2011 and with the subsequent political transition in 2014, economic and social progress has substantially slowed. Internal divisions within the National Unity Government slowed vital reforms and delayed the appointment of key officials, undermining policy certainty. Afghanistan also currently faces a humanitarian crisis arising from large numbers of return refugees and a large and growing internally displaced population. 1.5 million individuals fall into one of three categories: (i) undocumented returnees (31 percent of all displaced people in Afghanistan); (ii) documented returnees (25 percent); and (iii) internally displaced (44 percent).² Armed conflict in Afghanistan has claimed the lives of 2,640 civilians and injured 5,379 others between 1 January 2017 and 30 September 2017 and continues to cause severe harm to civilians across Afghanistan.³

3. **Reduced aid and security presence led to a rapid weakening of demand with follow-on impacts across the economy.** Aid flows decreased from around 75 percent of GDP in 2012 to 45 percent of GDP. In 2015 annual firm registrations declined by more than half since 2012 while unemployment has increased (from 13.5 percent in 2008 to 22.6 percent in 2014), both reflecting falling confidence. With slowing economic activity, fiscal revenues declined from 11.6 percent of GDP in 2011 to 8.7 percent of GDP in 2014, before recovering slightly to 10.5 percent of GDP in 2016. The security situation has also led to reversals and increasing disparities in access to services. Recent evidence from household surveys suggests that access to services is declining among the poor.

4. **With an undiversified productive base, the economy relies heavily on foreign aid and public expenditure.** The private sector is extremely narrow, with employment concentrated in low-productivity agriculture. Investment since 2001 has focused around the aid-driven contract economy. Private sector

¹ The number of NATO troops declined from about 130,000 in 2011, to around 15,000 by end-2014.

² Afghanistan Development Update, May 2017, World Bank.

³ Afghanistan Protection of Civilians in Armed Conflict Quarterly report 2017, October 2017, United Nations Assistance Mission in Afghanistan. <https://unama.unmissions.org/protection-of-civilians-reports>.



development is constrained by weak institutions, inadequate infrastructure, widespread corruption⁴, and a difficult business environment⁵. Public expenditure constitutes 25.6 percent of GDP; however, foreign grants currently finance more than two-thirds of budget expenditure and substantial off-budget security needs. A large trade deficit, of around 38 percent of GDP in 2016, is also financed almost entirely by aid inflows. With aid expected to decline from around 46 percent of GDP in 2017 to 20 percent of GDP by 2030, and in the context of a rapidly growing population, new sources of growth, employment, revenues, and exports are desperately needed, as are savings from improved management of public expenditure.

Sectoral and Institutional Context

5. **Afghanistan has made significant progress in establishing a functioning and credible Public Financial Management (PFM) system that has contributed to increasing revenues from about US\$130 million in 2002 to over US\$2.1 billion in 2016.** The legal framework underpinning PFM (Public Finance and Expenditure Management Law, and Public Procurement Law) has been established. The Afghanistan Financial Management Information System (AFMIS) has been rolled out across provinces, and is being used for payment processing, accounting and reporting. The Government's PFM performance is generally portrayed as one in which public finances are, by and large, used for their intended purposes as authorized by the budget, which is processed with transparency and where the fiscal aggregates are well controlled. This is demonstrated by Afghanistan's 2013 Public Expenditure and Financial Accountability (PEFA) scores, which were above the average for low-income states and fragile contexts, and equaled middle-income country results for control, reporting, and external scrutiny.

6. **Despite maintaining aggregate fiscal discipline, Afghanistan's PFM systems are not fully developed to ensure strategic allocation of resources and efficient service delivery.** Almost half of the development budget remains unspent (execution rate is 54 percent), leading to an overall budget execution rate of 76 percent. The low execution rate being the result of inefficiencies in budget planning, poor appraisal of development projects, protracted procurement processes, and overall low government capacity. Public expenditure is currently not aligned with the fiscal sustainability objectives of the government. Moreover, public spending is expected to grow over the medium-term while resources are projected to remain tight. Further, the operations and maintenance of public assets are reportedly weak, constraining the delivery of public services.

7. **Improving revenue collection is central to Afghanistan's self-reliance⁶ agenda, but remains constrained.** 2016 domestic revenues reached 10.8 percent of GDP, while expenditure was 26.9 percent of GDP, with the deficit largely financed through development partner grants. The Government of Afghanistan (GoA) has recently taken policy and administrative measures to increase domestic revenue collection. A 10 percent telecom services fee was introduced in 2015. While there is a possibility that it could be suspended through legislative action in the future, this is not likely in the immediate future and the fee continues to be collected. VAT is planned for implementation by 2020, and is particularly important in the context of Afghanistan's accession to the World Trade Organization (WTO), as the VAT must offset revenues that will be lost to tariff reductions. However, a narrow tax base, low capacity, weak internal controls, and a decentralized tax administration remain significant challenges. GoA also faces a difficult trade-off balancing strict compliance measures with a conducive business environment.

⁴ Afghanistan was ranked 169th of 176 countries according to the 2016 Corruption Perception Index.

⁵ Afghanistan was ranked 183rd of 190 countries in the 2018 Doing Business Survey

⁶ The Government presented its vision for building self-reliance in the context of declining international assistance to the international community at the London Conference in December 2014.



8. **Despite the direct and indirect support that state-owned enterprises (SOEs) receive from the budget in the form of subsidies, equity injections, deferred taxes, other payment arrears and loan guarantees, their ultimate performance remains weak.** Presently, Afghanistan has 50 SOEs which account for only 2 percent of national revenues and about 4 percent of GDP. 15 of these SOEs are corporatized and commercialized (state-owned corporations or SOCs) and three are state-owned commercial banks (SOCBs). Non-financial SOEs operate in strategic sectors such as energy, mining, and telecom. No diagnostic study to date appears to have properly documented the size and the market concentration of each SOE in the sub-sectors in which they operate. The financial performance of SOEs is not monitored and contingent liabilities are unknown, posing a fiscal risk.

9. **Afghanistan currently relies on unsustainable donor-financed project consultants (often called ‘second civil service’) to execute core government programs.** This reliance has eroded government capacity and impedes the use of country systems to build accountability, fight corruption, mobilize domestic revenue and attract investment. There is a shortage of skilled staff capable of developing and applying procedures and establishing institutions. Professional training for the public sector, especially for experts and managers, and training resources in general are insufficient.

10. **The Government recognizes that it is critically important to address these challenges, all of which impact negatively on service delivery.** In this regard, the GoA’s PFM Road Map provides significant opportunities to build on previous progress and further strengthen Afghanistan’s PFM system. The Road Map is underpinned by a 5-year rolling Fiscal Performance Improvement Plan (FPIP). FPIP is an ambitious and comprehensive reforms program that covers the whole breadth of public financial management. It is intended to both reinvigorate progress as Afghanistan seeks to move to the next level of performance, and also introduce a new emphasis on sustainability, capacity building, and government leadership of reforms. It does so by providing a comprehensive approach to fiscal management reforms that expands beyond core PFM, for example through the inclusion of revenue administration and policy, HR reform, and macro-fiscal policy analysis. FPIP clearly reflects a desire to move beyond business as usual. In contrast to many PFM reform plans, the FPIP includes a strong focus on implementation. The plan does not simply state what will be done, but also examines in detail how incentives and structures can be established to ensure implementation and periodically measure progress. In line with this, the Ministry of Finance (MOF) has decided to use FPIP as the only vehicle to implement PFM reforms and clarified to donors to channel all their support to MOF only for FPIP, rather than separate projects. Donors are also invited to participate in the annual planning and evaluation of rolling plans.

11. **In line with MOF’s directive, the Bank has designed a new engagement model (“programmatically approach”) that consolidates existing activities into three interrelated and complementary instruments to support the FPIP.** The FSP, constitutes the implementation arm of the new engagement model and is intended to provide critical inputs in the form of upfront investments drawn directly from FPIP work plans. Government has demonstrated strong ownership of the FSP, committing up to US\$100 million in parallel financing over five years, to support related infrastructure that will not be directly financed from FSP, and an internal incentive program to reward strong performing FPIP teams. The FSP will be underpinned through the FPIP Advisory Facility, a programmatic package of Advisory Services and Analytics (ASA). The FPIP Advisory Facility scales up resources for foundational Bank-executed technical assistance to operationalize and inform FPIP implementation. The third instrument is the Incentive Program (IP) Plus, which is the major channel for multi-donor policy-based budget support to the GoA, providing approximately US\$300 million per year. This will provide the overall reward structure for the FPIP



Development Objective(s) (From PAD)

12. To contribute to the improvement of domestic revenue mobilization and public expenditures management, and of reinforcing a performance oriented management culture in the Ministry of Finance.

Key Results

- i. Improved development budget execution rate.
- ii. Increase in domestic revenue as a percentage of GDP.
- iii. Increased compliance with audit recommendations.
- iv. Improvement in core institutional capacity, represented by a reduction in the number of long-term technical assistants.

D. Project Description

13. **The FSP is organized around four complementary investment components supporting Government-executed technical assistance, capacity building, and IT infrastructure.** For purposes of clarity and coordination, and because FSP includes a multitude of joined-up actions along thematic lines between departments, the four investment components are categorized around the PFM cycle.

14. **The FSP is designed to align with the government’s own work program (the FPIP), and will therefore support the FPIP in its entirety.** It does so sequentially, through “locking-in” of “early wins”, especially given that the project spans the period pre- and post-election. The project is prioritized around flagship reforms particularly in neglected thematic areas, and the bedding down of achievements in more-advanced areas. Support within these areas is sequenced along critical path dependencies. The FSP is also designed with greater flexibility in allocating resources where they are needed – it embeds an FPIP ‘cycle of trial and error’, building-in flexibility that is significantly greater than in previous PFM projects. Sub-components with limited traction can be dropped or simplified during implementation, and funds unspent in one department could be shifted to another (within and across components) or to address emergent gaps. This will be done through changes in work and procurement plans, which are to be updated regularly. The below outlines sequenced priority areas to be locked-in by the FSP along its four components.

15. **Component 1: Budget as Tool for Development [\$10m].** This component aims to increase budget credibility by improving the efficiency of budget processes, realistic budget estimation and costing, linking budget with policy and introducing medium term budgeting. It is organized along the following inter-linked sub-components:

16. **Budgeting Processes:** This sub-component will support the Budget Department to revise budget processes with a focus on realistic cost estimation, better commitment controls and gender-sensitivity. This first requires linking the budget to Public Investment Management (PIM) systems and to procurement planning, and development and implementation of forward estimates for multi-year budget planning, particularly for development projects. Gender mainstreaming will require the development of a framework for gender disaggregated statistical analysis to feed into the budget. Implementation of new processes derived from the provincial budgeting policy delegating financial authority to the provinces, development and roll-out of an Operations and Maintenance (O&M) policy, and improving budget disclosures and comparability of budget and accounts are the other key reforms to be implemented.



17. **Fiscal Policy:** This sub-component will continue support to the Macro Fiscal Performance Department (MFPD). The MFPD currently produces a medium-term fiscal framework (MTFF) that provides economic and fiscal projections. Further support will be provided in improving the quality of the MTFF in developing a well-designed medium term budget framework (MTBF) and a medium term expenditure framework (MTEF). Within the overarching framework of the MTFF, the MTBF aims at allocative efficiency and the MTEF enhances efficiency of the expenditures, all within a three to five-year horizon. The MTBF thus aligns multiyear budgets with national priorities leading to budgetary ceilings thereby reducing financing volatility. The MTEF critically examines expenditure performance against budgeted targets for identifying how expenditures can be made more effective. Institutionalizing these practices will entail improving the fiscal strategy, including alignment of the budget with Government priorities, , as well as strengthening PIM systems. MFPD will also target development and implementation of a sustainable debt policy. Support to MFPD will include enhancing the capacity of secretariat and advisory services to the High Economic council (HEC), and Tax Policy Development Committee (TPDC).

18. **Development Policy:** This sub-component will continue support to the Policy Department, also working closely with the Ministry of Economy and sector ministries, to increase the efficiency of public spending and linking fiscal strategy to budget strategy. This involves support to operationalizing the ANPDF implementation mechanism through finalization and M&E of updated, consolidated and costed sector strategies (National Priority Programs or NPPs) and work plans, and ensuring their alignment with the budget. It also involves the development of a PIM framework to improve project identification, appraisal, review and approval. FSP will work in close collaboration on Public Private Partnership (PPP) issues with the upcoming Bank Infrastructure Preparation Facility (IPF). The IPF is still to be fully designed, but it is currently foreseen that the IPF will fund the appraisal and preparation of pre-feasibility and feasibility studies of both public (PIM) and PPP infrastructure projects. For public (PIM) projects going forward, support from the IPF will end with the feasibility studies and other required TA support for these projects is to be facilitated through the FSP. Support to the Policy Department will include enhancing the capacity of secretariat and advisory services to the Development Councils⁷.

19. **Component 2: Revenue Mobilization [\$40m].** This component is designed to strengthen capacities of various revenue administration departments to increase tax compliance and facilitate timely filing and payment. It further aims to enhance Government's capacity to effectively regulate Afghanistan's minerals and hydrocarbon resources sector. It is organized along the following sub-components:

20. **Tax Administration:** This sub-component will build on existing support to the Afghanistan Revenue Department (ARD) through business process reengineering that will feed into further improvements of basic IT infrastructure and systems, especially Standard Integrated Government Tax Administration Systems (SIGTAS) and e-payments. It will continue taxpayers support services and outreach, and further advance implementation of the ARD reform plan, including restructuring on a functional basis, and strengthening reporting and accountability structures between mustofiats and ARD. Ongoing reforms to tax policy and the introduction of VAT will also be supported.

⁷ 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.



21. **Customs Administration:** This sub-component will build on existing support to the Afghanistan Customs Department (ACD), including consolidation of efforts to improve enforcement (data analysis and collection, anti-corruption policies and plans, and post clearance audit and mobile verification), simplify and standardize customs clearance and processes, and HR reforms. The development and implementation of a National Single Window (NSW) system, deployment of a Trade Information Portal⁸ and the continued geographical and functional rollout of Automated Systems for Customs Data (ASYCUDA) will underpin support under this sub-component.

22. **Afghanistan Extractive Industries Transparency Initiative (AEITI):** This sub-component will support required key actions to be undertaken with respect to Extractive Industries Transparency Initiative (EITI) implementation in Afghanistan, before and post-validation. This primarily includes addressing AEITI recommendations of Validation and Reconciliation reports.

23. **Component 3: Treasury Management, Accountability and Transparency [\$30m].** This component aims to consolidate basic core PFM functions to underpin more ambitious aspects of planned PFM and budget reforms. It is organized along the following sub-components:

24. **Treasury:** This sub-component will build on existing support to the Treasury Department through further strengthening of core systems and ensuring full implementation and compliance. This would include consolidation of AFMIS functionality, improved commitment controls, production of complete and comprehensive financial accounts, and introduction of new payroll controls. The Treasury will also prepare annual financial statements pertaining to the core budget using Cash Basis International Public Sector Accounting Standards (IPSAS). Strengthened accounting and auditing practices of the corporate sector will be facilitated through support to development of the Certified Professional Accountants (CPA) Law and curriculum. Treasury will also be supported to develop a framework for Sukuk Bonds.

25. **Audit and Financial Reporting:** This sub-component will build on the development of the Accountancy Law through technical assistance to support implementation – including to assist the Internal Audit Department (IAD) to improve audit follow-up and strengthen the internal audit function of line ministries. External audit efficiency will be supported through an HR and capacity building strategy for the Supreme Audit Office (SAO), and in the interim, contracting with consultancy firms for Grants audit, and for quality control and quality assurance. SAO will also be supported to automate manual audit processes through the roll-out of an Audit Management Information System (AMIS) to automate manual audit processes.

26. **Procurement:** This sub-component will build on the long-standing partnership with the National Procurement Authority (NPA) to advance a third generation of public procurement reforms. This involves first reviewing and stabilizing current reforms and the supportive legal, regulatory, and policy framework. This will be built upon through new reforms related to implementing open contracting to improve collection and disclosure of public procurement data across the full contracting cycle; and establishing countrywide Framework Agreements for procuring large volume small value items of repetitive purchase by various Government entities. The most significant third generation reforms relate to assessment and

⁸ The Trade Information Portal will provide a single on line and user friendly platform where all the information relating to trade regulations, procedures, fees, forms etc. from all the various trade related agencies is aggregated and presented on one website.



piloting implementation of Electronic Government Procurement (e-GP) that will follow comprehensive process re-engineering.

27. **SOEs, Insurance, and Properties:** This sub-component will be guided by a diagnostic assessment to measure the size, composition, market share as well as economic weight of SOEs, and financial, operational and fiscal performance of the entire SOE sector. The sub-component will also support the development of an insurance sector policy, and of procedures and policies, and an information management system for public properties.

28. **Citizen's Engagement:** This sub-component will support GoA in establishing and implementing a proper mechanism for budget transparency, accountability and participation, consistent with international best practices, in two areas: (1) Under MOF, this sub-component will help to mobilize Civil Society Organizations (CSOs) in order to establish and implement a framework where CSOs collaborate with MOF for further citizens' awareness in the planning and oversight of the budget at both the national and sub-national levels; and (2) Under the Auditor General, this sub-component will support Citizen Participatory Audit (CPA). SAO will engage with CSOs in an effective manner around the audit cycle to jointly monitor the quality of public expenditures to strengthen their impact in exercising public oversight.

29. **Component 4: Institutional Capacity Building and Performance Management [\$20m].** This component aims to build capacity of MOF staff and the requisite systems for effective functioning of the ministry, and to reinforce overall performance management and coordination of the FPIP. It is organized along the following sub-components:

30. **Backbone/shared services:** This sub-component will support the functioning of the corporate backbone and shared services of MOF, including through implementation of a strategic planning exercise (functional review) to be supported through the Capacity Building for Results (CBR) Facility. This will involve the development of a competency framework (to be supported through the FPIP Advisory Facility) to assess the current capacity gaps at MOF and accordingly guide recruitment and TA migration (working with the CBR Facility) performance management, training and professional development. The sub-component will support MOF Administration business process reengineering and automation, and digitalization of MOF's archive system. Measures to enhance aid management and projects' coordination and monitoring, and public outreach by MOF including of the FPIP, will also be facilitated.

31. **Information Systems:** This sub-component will be guided by an all-of-MOF Information and Communications Technology (ICT) Assessment being undertaken through the FPIP Advisory Facility. This is intended to lead to an ICT Strategy that informs the IT investments to be carried out under FSP and enhanced systems connectivity, as well as institutional and staffing aspects which need to be addressed.

32. **Performance Management:** Based on the recommendations of a Scoping Report completed as part of the FPIP Advisory Facility, this sub-component will provide support to enhance collaborative leadership skills and to strengthen the cohesiveness and effectiveness of leadership teams in the context of FPIP. This will involve the development of a Communications Strategy including measures to institutionalize the process of behavioral change, to assist new policy processes, and provide timely support to bridge policy and implementation gaps revealed over the course of project implementation. Technical assistance will be provided to support the MOF Performance Management Team (PMT) in the



development of annual and mid-year performance assessment reports of the FPIP, and the development of a publicly accessible web-based Performance Management and Reporting System (PMRS).

E. Implementation

Institutional and Implementation Arrangements

33. **Governance of the FSP, as of the other two pillars of the Bank’s programmatic approach, will be firmly anchored in the leadership structure of the FPIP.** Governance of the FSP (and the programmatic approach as a whole) will be centered within the MOF Leadership Team. The MOF Leadership Team - chaired by the Minister of Finance and consisting of the Chief of Staff of MOF, the four MOF Deputy Ministers, all MOF Director Generals and key Directors - meets twice per month and will meet at least three times per year on FPIP, including heads of external FPIP partner agencies (NPA, SAO).

34. **More frequent FPIP related meetings will be held through the Core Reform Group, which is the steering committee for the implementation of the FSP.** The Core Reform Group is composed of all members of the Leadership Team with the exception of the Minister of Finance. The Core Group, chaired by the Deputy Minister for Finance, will meet at least once every two months and on an ad hoc basis as needed. It is fully authorized to provide strategic guidance for the FSP, approve annual budgets and plans (including reallocation), and review progress quarterly, as well as to ensure that the objectives of the FSP are aligned with the FPIP, and the strategic vision of the GoA in fiscal reforms and other policy decisions. As required, the MOF Leadership Team will validate decisions taken at the Core Reforms Group. This arrangement facilitates better implementation by providing more time and space for discussion and ensuring swift decision making. Moreover, with the Core Reforms Group – not the individual MOF beneficiary – guiding the implementation of the program, it will ensure that support to MOF is no longer insulated within individual departments, but assists all departments within MOF with FPIP implementation. This will ensure 100% alignment with the FPIP.

35. **The PMT, reporting to the Deputy Minister for Finance, will provide day-to-day operational backstopping and coordination across beneficiary departments.** The PMT serves as the coordinating bridge, responsible for communication and follow up of decisions between the steering committee and teams. The PMT acts as secretariat to both the Leadership Team and Core Reform Group. In this role, the PMT provides an evidence-based decision support system and coordinates teams’ efforts towards the achievement of the overall PDO of the FSP. The PMT is responsible for ensuring that the FPIP work plans supported by the FSP are synergized and add up, providing technical support to teams in reform planning, investment planning and implementation monitoring. The PMT which comprises 6 members, has built up considerable experience and knowhow and is planned to be buttressed with additional expertise in M&E and change management.

36. **MOF, NPA and SAO will manage the implementation of the program through corporate systems without the assistance of parallel PIUs.** An overall Project Director – the current MOF Director for Finance – has been appointed for the FSP. Each MOF Deputy Ministry, the NPA and SAO will nominate a dedicated focal point (component coordinator) and team with primary responsibility to implement FPIP plans, and who will be provided leadership and project management training and coaching. On quarterly basis, teams will report to PMT to prepare consolidated progress reports. Existing



institutional arrangements will be used for financial management which will be under the overall responsibility of the Finance Directorate of MOF’s Deputy Ministry for Administration. The Procurement Directorates of MOF, NPA, and SAO respectively will be responsible for procurement. To empower and help expedite beneficiary department’s implementation, the MOF Deputy Ministry for Administration will second financial management and procurement staff to each MOF Deputy Ministry and to the SAO, including key staff from existing MOF PIUs that are to be discontinued upon FSP effectiveness. These staff will be transitionally integrated into relevant core departments (Tashkeel).

37. **Beneficiary departments will be primarily responsible for implementation of their respective FSP activities.** In line with the in-built flexibility of the FSP, activity and procurement plans would be updated regularly in close coordination with the PMT and in consultation with the Core Reform Group.

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

Mainly Kabul, based in Ministry of Finance. Provincial coverage to be determined before project appraisal.

G. Environmental and Social Safeguards Specialists on the Team

Shankar Narayanan, Social Safeguards Specialist
Obaidullah Hidayat, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	Given the nature of proposed project scope which will not include civil work activities or land acquisition, no environmental and social safeguards impacts are foreseen.
Natural Habitats OP/BP 4.04	No	Given the scope and overall objective of the program this policy is not triggered
Forests OP/BP 4.36	No	Given the scope and overall objective of the program this policy is not triggered.
Pest Management OP 4.09	No	Given the scope and overall objective of the program this is policy is not triggered.
Physical Cultural Resources OP/BP 4.11	No	Given the scope and overall objective of the program this is policy is not triggered.
Indigenous Peoples OP/BP 4.10	No	There are no indigenous people in the project area as defined by OP/BP 4.10.



Involuntary Resettlement OP/BP 4.12	No	<p>The project is not expected to have any land/asset impact as no civil works will be undertaken under this project. The project work consists of fiscal management reforms, physical and IT infrastructures activities. Therefore, OP/BP 4.12 is not triggered.</p> <p>However, the borrower will require to establish a two-way interaction between beneficiaries and ministry to discuss fiscal management reforms. Citizen engagement (CE), functional Grievance Redress Mechanisms (GRM), and stakeholder engagement processes as appropriate would be in place during project design and implementation stages. Should any of the project interventions result in staff retrenchment or organizational rightsizing, care shall be taken to ensure adequate consultation with those affected and design of packages that adequately address human resource management standards as applicable.</p> <p>The overall social risks of the project are low.</p>
Safety of Dams OP/BP 4.37	No	N/A
Projects on International Waterways OP/BP 7.50	No	N/A
Projects in Disputed Areas OP/BP 7.60	No	N/A

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

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

NA

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

NA

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

NA

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



NA

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

NA

B. Disclosure Requirements

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

The World Bank Policy on Disclosure of Information

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

NA

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

NA

All Safeguard Policies

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

NA

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

NA

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

NA

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

NA

CONTACT POINT

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Approved By

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