



Fiscal Performance Improvement Support Project (FSP): (P159655)

SOUTH ASIA | Afghanistan | Governance Global Practice |
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 2 | ARCHIVED on 29-Nov-2018 | ISR34873 |

Implementing Agencies: Ministry of Finance, Islamic Republic of Afghanistan, National Procurement Authority, Supreme Audit Office

Key Dates

Key Project Dates

Bank Approval Date: 19-Dec-2017

Effectiveness Date: 01-Jan-2018

Planned Mid Term Review Date: 30-Jun-2020

Actual Mid-Term Review Date: --

Original Closing Date: 28-Dec-2022

Revised Closing Date: 28-Dec-2022

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

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.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Component 1: Budget as Tool for Development:(Cost \$10.00 M)

Component 2: Revenue Mobilization:(Cost \$40.00 M)

Component 3: Treasury Management, Accountability, and Transparency:(Cost \$30.00 M)

Component 4: Institutional Capacity Building and Performance Management:(Cost \$20.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	● Satisfactory	● Satisfactory
Overall Implementation Progress (IP)	● Satisfactory	● Satisfactory
Overall Risk Rating	● High	● High

Implementation Status and Key Decisions

The Fiscal Performance Improvement Support Project (FSP) is designed to improve management of public finances in Afghanistan by strengthening the capacity of the Ministry of Finance, the National Procurement Authority and the Supreme Audit Office. The FSP will support the implementation of the Afghanistan Fiscal Performance Improvement Plan (FPIP) through recipient-executed investment financing.

The Project Development Objective is: "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". The project focuses on four key result areas: (i) Improved



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

Financing is provided by a US\$25 million International Development Association (IDA) grant and a US\$75 million grant from the Afghanistan Reconstruction Trust Fund (ARTF), managed by the World Bank on behalf of 34 donors. This was approved by the ARTF Management Committee on December 13, 2017 and the World Bank Board on December 19, 2017. The project is strongly government-owned with an additional US\$100 million in parallel financing from the Government of the Islamic Republic of Afghanistan (GoIRA).

The FSP provides strategic support at a critical moment in Afghanistan's development. Improved public financial management and revenue generation is central to the Government's self-sufficiency agenda. To enable development results in this high-risk operation, the FSP is complemented by tailored World Bank-executed technical assistance and a new programmatic Incentive Program (IP) Plus Development Policy Grant (DPG). This approach creates strong incentives for progress while tangibly supporting Government's technical reforms at an investment level.

The FSP became effective on January 1, 2018. Overall Implementation Progress and progress towards achievement of the Project Development Objective (PDO) since its effectiveness are rated as "Satisfactory". Key implementation developments secured to date include:

(a) **Budget Processes; Fiscal Policy; and Development Policy.** MoF has successfully implemented reforms to the budget process through a revised budget circular and budget submission template. These reforms have introduced strategic screening and improved costing information in budget submissions, as well as including gender tagging to support gender responsive budgeting. Development projects have been reviewed with an objective to create fiscal space by identifying poorly performing/weak-execution projects, and flagging them for possible cancellation. National Priority Programs have been completed and substantial progress made on costed implementation plans. These documents will provide the basis for policy links in future spending decisions. The executive draft of the 1398 Budget has successfully been prepared to reasonable timeframes. The budget documentation has included improved content on fiscal risks and contingent liabilities.

(b) **Tax Administration:** The IMF estimate of 2018 revenue/GDP ratio is 11.8 percent, exceeding the Year 1 FSP target. Implementation of the Afghanistan Revenue Department (ARD) Value-Added Tax (VAT), Communication, and Single Large Taxpayer Office (SLTO) implementation plans is underway.

(c) **Customs Administration:** Automated Systems for Customs Data (ASYCUDA) roll-out continues, with 18 Customs offices connected. Additional modules are also being added. The Afghanistan Customs Department (ACD) has also made changes to the selectivity criteria for the Risk Management System, which has shown positive results as the number of Red Channel declarations requiring physical inspections have come down significantly. UNCTAD's contract for ASYCUDA implementation has also been extended for the next three years, which also covers a substantial transition. The Feasibility for implementing a National Single Window (NSW) and establishing a Trade Information Portal is also progressing well, and on track to be completed by June 2019.

(d) **Procurement Reform:** The NPA has advanced its piloting of Electronic Government Procurement (eGP), with each of the following modular systems now fully developed and in various stages of implementation and information on these provided to the public via the NPA's website: Afghanistan Procurement Contract Management System (APPMS); (ii) Afghanistan Procurement Facilitation System (APFMS); (iii) Afghanistan Contract Progress Monitoring System (ACPMS); and (iv) Afghanistan Vendor Registration and Classification System, Works (AVRSC-W). Open Contracting Partnership (OCP) and Open Contract Data Standards (OCDS) initiatives have also advanced. Frameworks for two ministries have been launched as a pilot. To buttress procurement capacity and professionalization, batch central recruitment of 697 procurement positions (to be transitioned into a professional cadre) has been completed. The NPA has provided on-boarding and other basic trainings to the recruited staff.

(e) **Institutional Capacity and Performance Management:** As part of GoA's shift to a "Tashkeel first" agenda, National Technical Assistance (NTA) migration has commenced across all FSP entities (MoF, NPA, SAO). MoF in particular has made considerable progress, rationalizing 53 percent of its NTAs under FSP. The FSP further prioritizes sustainably building up and retaining capacities, particularly of women. This includes newly launched comprehensive programs for identification and grooming of female talent in MoF, and the automatic transfer to civil service positions of women completing ongoing internship programs (that favor inclusion of female applicants) in the NPA. These programs are buttressed through a benchmark in the programmatic IP Plus DPG on at least 30 percent participation of women across the civil service, including in senior management positions. In terms of performance management, a Scoping Report has been completed to guide collaborative leadership skills and strengthen the cohesiveness and effectiveness of leadership teams in the context of FPIP. Implementation of its recommendations has been initiated with Bank support. The MoF Performance Management Team (PMT) has also now developed and launched a publicly accessible web-based Afghanistan Performance Management Information System (APMIS).

Risks

Systematic Operations Risk-rating Tool



Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● High	● High	● High
Macroeconomic	● High	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial	● Substantial
Technical Design of Project or Program	● Substantial	● Substantial	● Substantial
Institutional Capacity for Implementation and Sustainability	● High	● High	● High
Fiduciary	● Substantial	● Substantial	● Substantial
Environment and Social	● Low	● Low	● Low
Stakeholders	● Substantial	● Substantial	● Substantial
Other	● High	● High	● High
Overall	● High	● High	● High

Results

PDO Indicators by Objectives / Outcomes

To contribute to the improvement of public expenditures management.				
▶ Increased development budget execution rate (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	54.00	54.00	67.00	75.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Overall GoIRA development budget execution for 1396 was 67 percent, exceeding the Year 1 FSP target (57 percent). Final development budget execution for 1397 will become available following completion of the fiscal year (December 22, 2018), and will be reported upon as part of the next ISR update.			
▶ Effective implementation by budgetary units on the external audit recommendations (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	15.00	15.00	15.00	60.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Achievement on this indicator remains in line with the baseline value and below the Year 1 FSP target (20 percent). This is largely due to suspension of the procurement process for the Audit Management Information System (AMIS) by the GoIRA Central IT Committee. Remedial action has been agreed to resolve this issue. In the interim, it has been agreed that SAO will prepare an excel-based record to track audit observations and their implementation.			

To contribute to the improvement of domestic revenue mobilization.



► Increased domestic revenue as a percentage of GDP (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.70	10.70	11.80	12.20
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	The IMF estimate of 2018 revenue/GDP ratio is 11.8 percent, exceeding the Year 1 FSP target (10.9 percent).			

To contribute to reinforcing a performance oriented management culture in the Ministry of Finance.				
► Improvement in core institutional capacity, represented by a reduction in the number of long-term technical assistants (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	499.00	499.00	335.00	250.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	The number of long-term technical assistants has been reduced to 335 across MoF (275), SAO (37) and NPA (23) including vacant positions (under recruitment), exceeding the Year 1 FSP target (450).			

Intermediate Results Indicators by Components

Component 4: Institutional Capacity Building and Performance Management				
► Simplification and standardization of MOF Administration business processes (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	MOF Administration business processes not simplified and standardized	MOF Administration business processes not simplified and standardized	MOF Administration business processes not simplified and standardized	MOF Administration business processes simplified and standardized
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Simplification and standardization of MoF Administration business processes is currently behind the Year 1 FSP target (mapping of 50 percent of relevant MOF administration processes completed). Procurement for firm consultancy to facilitate MoF Administration business process re-engineering and automation has yet to commence. In the meantime, however, this exercise has been made a priority with the 2018 FPIP Plans for the Deputy Minister (DM) and Director General (DG) levels as well as across all Deputy Ministry for Administration teams. Several teams are currently embarking on preparation and/or update of Standard Operating Procedures (SOPs), considered the first step towards business process mapping.			
► Improvement in performance management coverage, represented by an increase in the number of teams adopting FPIP (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	90.00	90.00	100.00	140.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022



Comments:	The number of teams adopting FPIP within MoF, SAO, and NPA has increased to over 100, in line with the Year FSP target.			
► Transparency and citizen engagement in reform planning, represented by timely publication of annual and mid-year FPIP assessment reports (Yes/No, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No	No	No	Yes
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Timely publication of FPIP assessment reports is currently behind the Year 1 FSP target (Yes). The MoF Leadership Team decided to suspend the 2018 mid-year FPIP assessment due to delays in finalizing plans. These plans were only completed by July 2018. Plans were published within the publicly accessible web-based Afghanistan Performance Management Information System (APMIS) developed by the MoF PMT. At the request of MoF, 2018 FPIP plans were reviewed by the Bank with the Bank's findings recorded in a formal Quality Assurance Report that has now been publicly disclosed by MoF. The 2018 annual FPIP assessment is due by end-February 2019 and progress towards its preparation and timely publication will be reported upon within the next ISR update.			

Component 1: Budget as Tool for Development				
► Increased budget execution rate of the provinces by implementing new provincial budgeting policy. (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	57.00	57.00	57.00	75.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Provincial budget execution data is not currently available. This data will be collected and reported upon as part of the next ISR update. The baseline value is retained in the meantime.			
► Improved gender disaggregated statistical analysis and documentation (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Gender disaggregated budget and expenditure data not available	Gender disaggregated budget and expenditure data not available	Gender disaggregated budget and expenditure data not available	Gender disaggregated budget and expenditure data, and statistical analysis available for 6 pilot ministries
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	There is currently no gender-disaggregated statistical analysis reflected in budget preparation. Priority work during the first year of FSP has been focused around systematic reform of the overall budget process. Accordingly, efforts towards integration of gender-disaggregated analysis have been deferred. An important step in this regard has been including a request for gender analysis within the new budget template.			
► Large projects are properly appraised with the support of a new PIM Unit to be established (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	10.00	10.00	10.00	50.00



Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Achievement on this indicator remains in line with the baseline value and below the Year 1 FSP target (15 percent). This is not indicative of a slowdown in progress during the current reporting period but is reflective of the fact that while a total of 175 Project Concept Notes (PCN) have been received and screened following the Budget Circular (BC), none of these projects have been equal to or above US\$100 million in value, the focus of the current indicator. Of the 175 submitted PCNs, 112 projects are above US\$5 million (but below US\$100 million) in value and have accordingly been received by MoF; and the remaining 63 projects are below US\$5 million in value and therefore received by the Ministry of Economy.			
►Effective M&E of development projects through development of a proper M&E system (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	10.00	100.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	There has been progress with establishing a reporting system through which 10 percent of development projects have been monitored and evaluated by the MoF Policy Department to date, below the Year 1 FSP target (20 percent). Much of the current reporting period was spent development this new system. Now that this is established and operational, monitoring of development projects is expected to accelerate in line with targeted FSP milestones moving forward.			

Component 2: Revenue Mobilization

►Implement ARD Re-Organization and Modernization Plan (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Plan approved by cabinet	Plan approved by cabinet	SLTO Implementation Plan Approved. VAT/SLTO Unit Created and Staffed. Criteria for Taxpayer Reallocation Approved.	All regional revenue offices report to ARD
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	The Afghanistan Revenue Department (ARD) developed the Single Large Taxpayer Office (SLTO) Implementation Plan that has provided more detail, prioritization, and sequencing to its overall re-organization and reform. The original phases planned in this indicator will need to be adapted. The main focus will shift to centralization of management of large taxpayers first. In this period, the VAT and SLTO unit was created with a staff of ten people. Criteria for the re-allocation of taxpayers by revised thresholds were agreed and the transfer of taxpayers is underway.			
►Increased number of active tax filers (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	LTO: 195; MTO: 5325; STO: 3137	LTO: 195; MTO: 5325; STO: 3137	LTO: 233; MTO: 5262; STO: 3233	LTO: 380; MTO: 10400; STO: 6713
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	The number of active tax filers has increased across both the LTO and STO. In the case of the LTO, the increase (233) is in line with the Year 1 FSP target (232). In the case of the STO, the increase (3233) remains below the Year 1 FSP target (3850). On the other hand, the number of active tax filers across the MTO has actually decreased (5262) and is currently below the FSP baseline value (5325).			



►Staff and business processes are in place for VAT implementation in 2020 (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No staff or processes in place	No staff or processes in place	VAT staff recruited.	VAT business processes developed and staff trained
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	The Year 1 FSP target has already been met with a Value-Added Tax (VAT) Implementation Plan and Communication Plan and a Single Large Taxpayer Office (SLTO) Implementation Plan drafted, reviewed and approved. The Year 2 FSP target is partially met with the VAT office now staffed with a team of approximately ten staff. Training has not yet been completed. As the VAT and SLTO taxpayer turnover thresholds have been synchronized, this team will support both units.			
►Percentage increase in custom duties through enhancement of ASYCUDA customs automation (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	5.00	12.80	100.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Customs duties increased by 12.8 percent in 1396 compared to 1395, both in terms of total Customs collection and Customs duty collection, exceeding the Year 1 FSP target (10 percent). Final 1397 collection data will become available following completion of the fiscal year (December 22, 2018), and will be reported upon as part of the next ISR update.			

Component 3: Treasury Management, Accountability, and Transparency

►Web based AFMIS extended to embassies and selected districts, municipalities, and SOEs (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	No embassy, district, municipality, and SOE connected to AFMIS	No embassy, district, municipality, and SOE connected to AFMIS	1 municipality connected to AFMIS.	All embassies, 300 districts, 20 municipalities, and at least 5 SOEs connected to AFMIS
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	Progress on roll-out of the AFMIS to embassies, municipalities, districts and State-Owned Enterprises (SOEs) is behind schedule on the Year 1 FSP target (10 districts and 10 municipalities connected to AFMIS). The system has only been rolled out to Kabul Municipality. The main reasons for the slow progress were an unstable AFMIS system at central level during the first six months of the year, non-finalization of contracting with FreeBalance, and limited HR capacity within the Treasury Department. Remedial measures and actionable timelines have been agreed for each of these bottlenecks.			
►Afghanistan Institute of Certified Public Accountants (CPA) established and two batches trained (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Institute not established	Institute not established	CPA law enacted and curriculum developed.	Institute established, CPA law enacted, and curriculum developed
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022



Comments:	The Accountancy Law has been approved by both houses of Parliament and the draft curriculum for the two local papers (Tax and Law) have been developed with consultant support, exceeding the Year 1 FSP target and in line with the Year 2 target. The next step is to ensure that the Institute of Certified Public Accountants (CPA), which is currently still working as unit of the MoF Treasury Department, is fully established.			
►Number of IADs in Line Ministries that are strengthened and functioning based on standards set out by IIA (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	26.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	MoF's Internal Audit Department (IAD) is supporting capacity building of Line Ministry IADs, but presently the intern audits carried out are not compliant with Institute of Internal Auditors' (IIA) standards. As a result, achievement on this indicator is not considered to have improved upon the baseline value and remains below the Year 1 FSP target (5 Line Ministries).			
►Rolling out e-GP in the pilot phase in 3 or more departments (Number, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	0.00	0.00	3.00
Date	30-Aug-2017	08-Apr-2018	14-Nov-2018	28-Dec-2022
Comments:	<p>Progress on roll-out of e-GP to pilot departments is in line with the FSP Year 1 target (0 departments) with this first year dedicated towards system development. The system includes 16 modules on which there has been considerable progress with completion of full system development planned in 2020. Higher priority modules, however, have been agreed with the Bank to be completed by end-2019. Progress on each of the modules is captured below:</p> <ol style="list-style-type: none"> 1. Afghanistan Procurement Contract Management System (APPMS): 100 percent completed. 2. Afghanistan Procurement Facilitation System (APFTS): 100 percent completed. 3. Afghanistan Contract Progress Monitoring System (ACPMS): 100 percent completed. 4. Afghanistan Vendor Registration and Classification System, Works (AVRSC-W): 100 percent completed. 5. Afghanistan E-Tendering System (AETS): 35 percent completed, planned completion date is September 30, 2019. This is the most important system amongst all 16 modules and the major indicator under FSP. 6. Afghanistan E-Catalogue and e-purchasing system (AECS-AEPS): System development and programming has started. 7. Afghanistan Vendor Debarment System (AVDS): Completed. 8. Afghanistan Procurement Record Management System (RMS): In-progress. 9. Afghanistan Cost Management System (ACMS): Not yet started. 10. Afghanistan Procurement e-learning Platform (APLP): Not yet started. 11. Afghanistan e-Specification System (AESS): Database development started. 12. Afghanistan Contract Management System (AFCMS): In-progress. 13. Afghanistan e-Reverse Auction (AERA): Not yet started. 14. Afghanistan Asset Management System (AAMS): In-progress. 15. Afghanistan Administrative Review System (AARS): Not yet started. 16. Afghanistan Contract Award Approval System (ACAAS): At concept stage. 			

Data on Financial Performance

Disbursements (by loan)

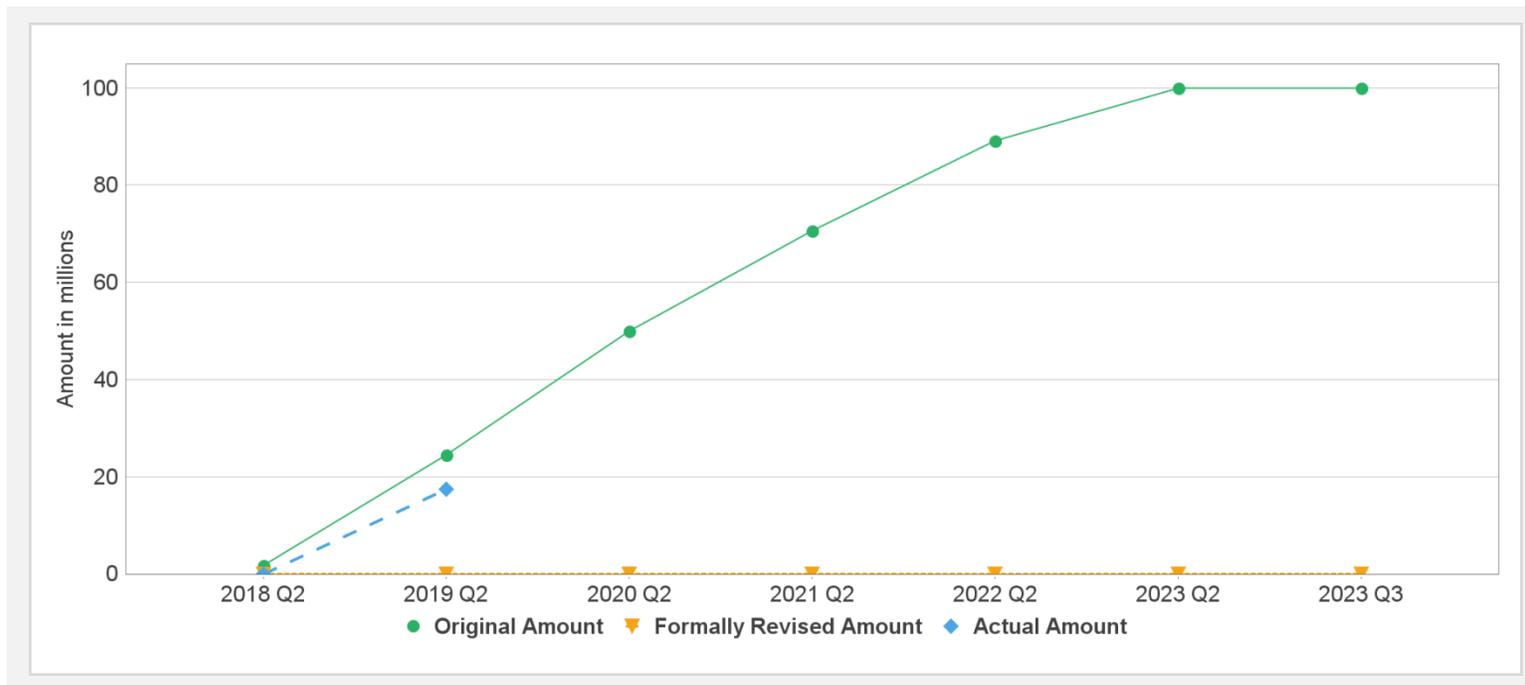


Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P159655	IDA-D2630	Effective	USD	25.00	25.00	0.00	14.47	10.57	58%
P159655	TF-A6277	Effective	USD	75.00	75.00	0.00	3.00	72.00	4%

Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
P159655	IDA-D2630	Effective	19-Dec-2017	25-Dec-2017	01-Jan-2018	28-Dec-2022	28-Dec-2022
P159655	TF-A6277	Effective	19-Dec-2017	25-Dec-2017	01-Jan-2018	28-Dec-2022	28-Dec-2022

Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.