



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

SOUTH ASIA | Afghanistan | Governance Global Practice |
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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 (PDO) 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 PDO since its effectiveness are rated as "Satisfactory". Key implementation developments secured to date include:

(a) **Budget Processes; Fiscal Policy; and Development Policy.** Progress was achieved through preparation of the 1398 budget through continued application of modern accounting standards in budget formation and improved reporting on contingent liabilities. During the 1399 budget process, the project will support continued improvements, including: (i) implementation of a budget process based on establishment of sectoral allocations linked to growth priorities; (ii) production of portfolio statements; and (iii) inclusion of a gender budget statement. The Policy Department has led major improvements in Public Investment Management through 1397, including ensuring strategic screening of development projects during the 1398 budget process. This work will continue through 1398 with development of guidelines for economic analysis of development projects and requirements for application of economic analysis through project selection for the 1399 budget. The Policy Department has supported improvements in development budget execution through reviewing poorly-performing projects and removing them from 1398 budget allocations. Substantial progress has been made towards ANPDF implementation through the development of all National Priority Programs and their presentation at the Geneva Ministerial Conference on Afghanistan. Progress is now continuing towards development of costed implementation plans for all NPPs. Through 1398, work will also continue with portfolio reviews of major donor programs, ensuring closer alignment between donor on- and off-budget portfolios and ANPDF priorities. Through 1397, the Macro-Fiscal Performance Directorate supported economic and financial analysis around reforms to the wage bill policy and pensions policy. MFPD also led the development of the government's Growth Agenda, which was presented at the Geneva Conference on Afghanistan. This work will continue during 1398, with a focus on policy implementation for pensions and wage bill reform, and additional work expected on the development of a Sukuk policy.

(b) **Tax Administration:** The 2018 revenue/GDP ratio reached 13 percent, exceeding the Year 1 FSP target. 157 large taxpayers have now started using the electronic filing system developed by the Afghanistan Revenue Department (ARD). Value-Added Tax (VAT), Communication, and Single Large Taxpayer Office (SLTO) implementation plans are underway.

(c) **Customs Administration:** The percentage increase in custom duties reached 12.8 percent, exceeding the Year 1 FSP target. Automated Systems for Customs Data (ASYCUDA) roll-out remains on track. A new three-year agreement for ASYCUDA implementation was signed between the Afghanistan Customs Department (ACD) and UNCTAD. Full electronic declaration processing was implemented at Takhar in March 2019 with additional modules continuing to be rolled out as per schedule. The ACD is currently in process of implementing the Smart Systems Project (SSP) at 5 customs offices

(d) **Procurement Reform:** The NPA has made considerable progress on procurement professionalization and certification. Mass recruitment for procurement professionals has been completed, the NPI curriculum has been developed along with the teaching materials, and a 5 years' strategic plan has been established. Meanwhile, trainers have been trained and are on board, and an MOU has been signed with Bangor University. NPA plans to conduct training using the new certification mechanism and training curriculum. A total plan of 800 trainees (500 from Civil Service and 300 from Private Sector) is currently foreseen.

(e) **Institutional Capacity and Performance Management:** As part of GoA's shift to a "Tashkeel first" agenda, National Technical Assistance (NTA) migration has further advanced across MOF which reduced its overall NTA cohort by 60 percent (from 780 to 454 staff) in 2019, with 12 percent of these positions integrated into the ministry's Tashkeel. The MOF Deputy Ministry for Administration has now commenced simplification of internal administrative processes, identifying 52 business processes that require simplification. Of these processes, 1 administration related, 5 procurement related, and 2 finance related processes have been simplified to date. In terms of performance management, the PMT has facilitated the expansion of FPIP to 110 teams. Through the Afghanistan Performance Management Information System (APMIS) it has self-developed, PMT has been able to publish both 2018 and 2019 FPIP plans.

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	67.00	93.00	75.00
Date	30-Aug-2017	14-Nov-2018	21-Dec-2018	28-Dec-2022
Comments:	Overall GoIRA development budget execution for 1397 was 93 percent, exceeding the Year 1 FSP target (57 percent).			
▶ Effective implementation by budgetary units on the external audit recommendations (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	15.00	15.00	50.24	60.00
Date	30-Aug-2017	14-Nov-2018	21-Dec-2018	28-Dec-2022
Comments:	<p>Until the end of fiscal year 1397 (2018), the average implementation of external audit recommendations for 10 ministries was 50.24 percent, above the FSP Year 1 target (20 percent):</p> <ol style="list-style-type: none"> 1. Ministry of Education - 66 percent 2. Ministry of Defense – 92 percent 3. Ministry of Interior - 19 percent 4. Ministry of Transport - 92 percent 5. Others - below 3 percent <p>Latest achievement on this indicator is not fully verifiable 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 would prepare</p>			



an excel-based record to track audit observations and their implementation and from which the current achievements are reported.

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	11.80	13.00	12.20
Date	30-Aug-2017	14-Nov-2018	21-Dec-2018	28-Dec-2022
Comments:	The 2018 revenue/GDP ratio was 13 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	335.00	454.00	250.00
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	The number of long-term technical assistants has been reduced to 454 across MoF. This is slightly above the FSP Year 1 target (450) but reflects the fact that the baseline was erroneously set at 499 instead of 780. From actual 780, the number of NTAs has been reduced by 60%			

Intermediate Results Indicators by Components

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	--	Provincial Mustofiats now report to the Deputy Minister of Revenue, which was not foreseen in the plan. Further assessment is required to understand whether the ARD has sufficient administrative support in place for provincial offices.	All regional revenue offices report to ARD
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022



Comments:	Provincial Mustofiats now report to the Deputy Minister of Revenue, which was not foreseen in the plan. Further assessment is required to understand whether the ARD has sufficient administrative support in place for provincial offices.			
►Increased number of active tax filers (Text, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	LTO: 195; MTO: 5325; STO: 3137	--	LTO: 233; MTO: 5262; STO: 3233	LTO: 380; MTO: 10400; STO: 6713
Date	30-Aug-2017	14-Nov-2018	14-Nov-2018	28-Dec-2022
Comments:	Updated data on this indicator is pending from ARD. In the interim, reported progress has not been updated from the previous ISR achievement, as follows: The number of active tax filers 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	--	The 2018 objective is met. This indicator is progressing. VAT staff have been hired although retention of Tashkeel staff is a recurrent problem. The VAT implementation plan has been completed. VAT regulations and VAT procedures are expected to be completed in 2019.	VAT business processes developed and staff trained
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	The 2018 objective is met. This indicator is progressing. VAT staff have been hired although retention of Tashkeel staff is a recurrent problem. The VAT implementation plan has been completed. VAT regulations and VAT procedures are expected to be completed in 2019.			
►Percentage increase in custom duties through enhancement of ASYCUDA customs automation (Percentage, Custom)				
	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	5.00	12.80	12.80	100.00
Date	30-Aug-2017	14-Nov-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 is still not available and will be reported upon as part of 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	95.00	75.00
Date	30-Aug-2017	14-Nov-2018	21-Dec-2018	28-Dec-2022
Comments:	Budget execution rate of the provinces reached 95 percent in fiscal year 1397 (2018), exceeding the FSP Year 1 target (60 percent).			
►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	--	A toolkit has been developed for gender sensitive budget analysis, that will help in preparation of gender statement for pilot ministries	Gender disaggregated budget and expenditure data, and statistical analysis available for 6 pilot ministries
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	A toolkit has been developed for gender sensitive budget analysis, that will help in preparation of gender statement for pilot ministries.			
►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	63.00	50.00
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	Achievement on this indicator has reached 63 percent, exceeding the Year 1 FSP target (15 percent).			
►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	10.00	10.00	100.00
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	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 developing 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 4: Institutional Capacity Building and Performance Management

►Simplification and standardization of MOF Administration business processes (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
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Value	MOF Administration business processes not simplified and standardized	--	43 major business processes (about 70%) have been identified and mapped. Of these, 2 processes are ready to be implemented as simplified, one process requires Minister approval. These processes are for departments of procurement, human resources, finance, general services, state owned enterprises and corporations.	MOF Administration business processes simplified and standardized
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	43 major business processes (about 70%) have been identified and mapped. Of these, 2 processes are ready to be implemented as simplified, one process requires Minister approval. These processes are for departments of procurement, human resources, finance, general services, state owned enterprises and corporations.			
►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	100.00	110.00	140.00
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	The number of teams adopting FPIP within MoF, SAO, and NPA has increased to 110, exceeding the Year 1 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	Yes	Yes
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	Through the Afghanistan Performance Management Information System (APMIS) it has self-developed, PMT has been able to publish both 2018 and 2019 FPIP plans.			

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	--	Roll-out to Kabul Municipality and two embassies.	All embassies, 300 districts, 20 municipalities, and at least 5 SOEs connected to AFMIS



Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	AFMIS has been rolled-out to Kabul Municipality and two embassies. However, further roll-out of Free Balance AFMIS solution will not be pursued in the interim as the Government decides on whether to move to a new platform.			
►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	--	Curriculum for Law and Tax (F4 & F6) developed. Practicing/membership licenses for individuals and audit firms drafted. ACCA scholarship ongoing	Institute established, CPA law enacted, and curriculum developed
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	Curriculum for Law and Tax (F4 & F6) papers of Afghanistan version developed and drafted. Drafted practicing and membership licenses for individuals and audit firms. Ongoing scholarship program of ACCA students in Kabul and other provinces.			
►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	4.00	26.00
Date	30-Aug-2017	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	Support has been provided to 4 IADs of 4 ministries, below the Year 1 FSP target (5 Line Ministries). The Bank is to verify whether this support is to IIA standards.			
►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	14-Nov-2018	09-Apr-2019	28-Dec-2022
Comments:	NPA has developed 4 of the 16 e-GP modules in-house, with another 4 modules partially developed. However, the main e-GP modules - e-tendering and e-purchasing - are delayed. Remedial action has been agreed to expedite their development. In the meantime, roll-out of the e-GP system has not commenced. Per the FSP target, roll-out is expected to one procuring entity by end-2019 (Year 2 of FSP).			

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
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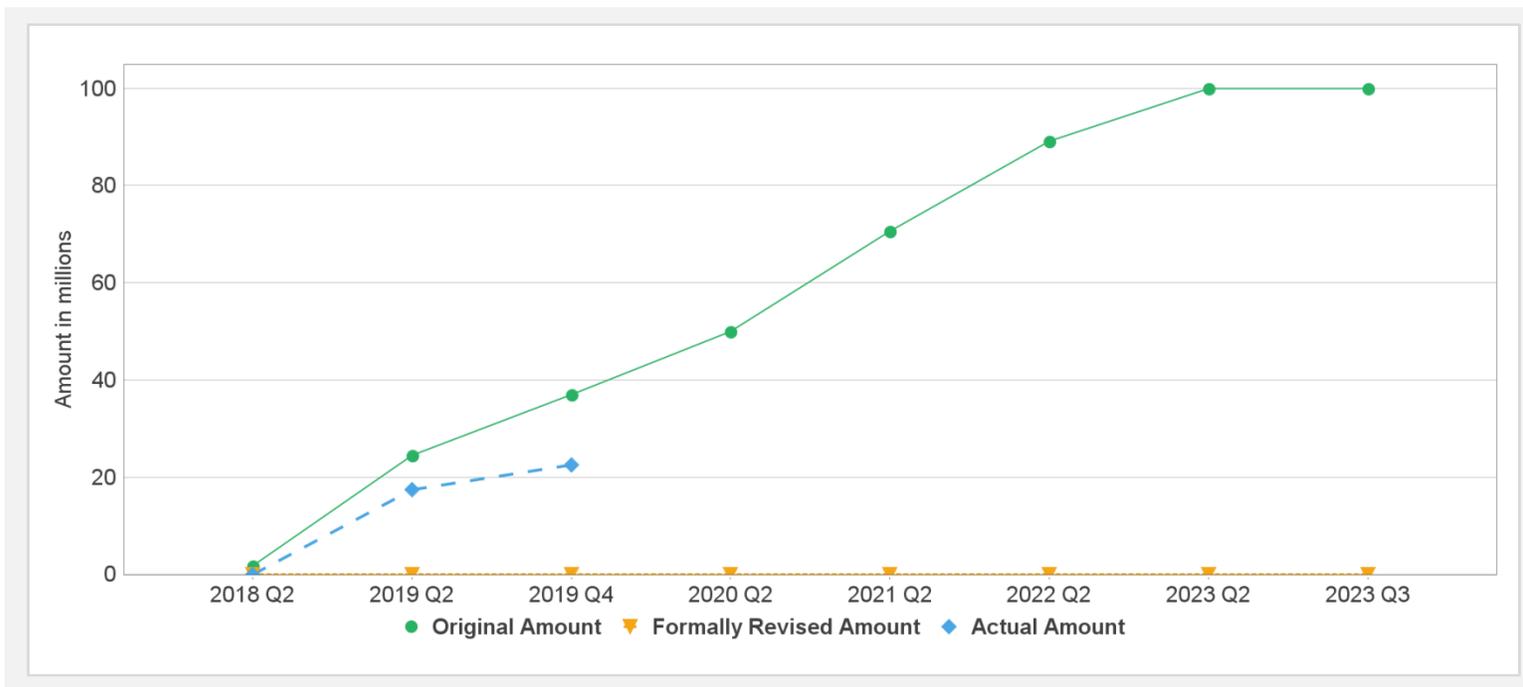


P159655	IDA-D2630	Effective	USD	25.00	25.00	0.00	19.47	5.55	<div style="width: 78%;"></div>	78%
P159655	TF-A6277	Effective	USD	75.00	75.00	0.00	3.00	72.00	<div style="width: 4%;"></div>	4%

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.