Taking Charge:

Government Ownership in a Complex Context

External Review,

Afghanistan Reconstruction Trust Fund, ARTF

Final Report

Scanteam
Analysts and Advisers

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Project: External Review of the Afghanistan Reconstruction Trust Fund - ARTF

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Acronyms and Abbreviations

AAA	Analytical and Advisory Assistance (World Bank – now ASA – see below)
ACSI	Afghanistan Civil Service Institute
ADB	Asian Development Bank
AEP	Afghan Expatriates Program (ARTF project)
AFMIS	Afghanistan Financial Management Information System
AHP	Ad Hoc Payment (ARTFR)
AITF	Afghanistan Infrastructure Trust Fund (ADB)
ALCS	Afghanistan Living Conditions Survey
ANDS	Afghanistan National Development Strategy
ANPDF	Afghanistan National Peace and Development Framework
ARAP	Afghanistan Rural Access Program (ARTF)
ARTF	Afghanistan Reconstruction Trust Fund
ASA	Advisory Services and Analytics (World Bank)
ASIST	Advisory Services-Implementation Support-Technical Assistance
CAG	Contact Advisory Group (for this review)
CBR	Capacity Building for Results (project)
CDC	Community Development Committee
CM	Community Monitor
CRS	Comments Response Sheet
CSCB	Civil Service Capacity Building (ARTF project)
CSO	Central Statistics Organization (Afghanistan)
CSO	Civil Society Organization
DLI	Development-Linked Indicator
EQRA	Education Quality Reform in Afghanistan
EQUIP	Education Quality Improvement Project
FCV	Fragile, Conflict and Violence
FPIP	Fiscal Performance Improvement Plan
FSP	Fiscal (Performance Improvement) Support Project (ARTF project)
GDP	Gross Domestic Product
GIRoA	Government of the Islamic Republic of Afghanistan
GWG	Gender Working Group (ARTF)
IARCSC	Independent Administrative Reform and Civil Service Commission
IDA	International Development Association (World Bank)
IEG	Independent Evaluation Group (World Bank)
IP	Incentive Program
IR	Inception Report
IRR	Interim Review Report
ISR	Implementation Status and Results Report (World Bank)
IW	Investment Window (ARTF)
JCMB	Joint Coordination and Monitoring Board
LEP	Lateral Entry Program (ARTF project)
LM	Local Monitor
LOTFA	Law and Order Trust Fund for Afghanistan
MA	Monitoring Agent (ARTF)
M&E	Monitoring and Evaluation
MC	Management Committee
MCP	Management Capacity Program (ARTF project)

MDTF	Multi-Donor Trust Fund
MEC	(The Independent Joint Anti-Corruption) Monitoring and Evaluation Committee
MoE	Ministry of Education
MoF	Ministry of Finance
MoPH	Ministry of Public Health
MPA	Multiphase Programming Approach
MPTF(O)	Multi-Partner Trust Funds (Office) (UNDP)
MTR	Mid-Term Review
NDP	New Development Partnership (US)
NHLP	National Horticulture and Livestock Program (ARTF)
NOL	No Objection Letter
NPA	National Procurement Authority
NPP	National Priority Program
NSP	National Solidarity Program (ARTF project)
NTA	National Technical Assistance
O&M	Operations and Maintenance
PEFA	Public Expenditure and Financial Accountability
PFFP	Partnership Framework and Financing Program
PFM	Public Financial Management
PIU	Project Implementation Unit
PMU	Project Management Unit
PRR	Priority Reform and Reconstruction (program)
PRT	Provincial Reconstruction Team
PTRO	Peace Training and Research Organization
RAP	Research and Analysis Program
RCT	Randomized Control Trial
RCW	Recurrent Cost Window (ARTF)
SA	Supervisory Agent (ARTF)
SAO	Supreme Audit Office
SBC	State-Building Contract (EU)
SC	Steering Committee (ARTF)
SDG	Sustainable Development Goal
SEHAT	System Enhancement for Health Action in Transition Project
SG	Strategy Group (ARTF)
SMAF	Self Reliance through Mutual Accountability Framework
SRSG	Special Representative of the Secretary-General (UN)
SY	Solar Year
TA	Technical Assistance
TF	Trust Fund
ToR	Terms of Reference
TTL	Task Team Leader (World Bank)
UNAMA	UN Assistance Mission to Afghanistan
USD	United States Dollar/s
WB	World Bank
WDR	World Development Report

1 Executive Summary

The World Bank, on behalf of the Afghanistan Reconstruction Trust Fund (ARTF) partners, contracted Scanteam/Norway, in collaboration with the Peace Training and Research Organization/Kabul, to carry out an external review of the ARTF in accordance with the announced Terms of Reference (ToR – see Annex A). This report is the final deliverable under this contract.

ARTF Context and Governance

The ARTF: the world's largest and longest-running MDTF. The ARTF has mobilized USD 10.5 billion over its 15-year history for on-budget financing. The original structure of a Steering Committee (SC) for policy setting and a Management Committee (MC) for funding decisions has been complemented by a more technical Strategy Group (SG), a Gender Working Group (GWG) and an Incentive Program Working Group (IPWG). The ARTF remains transparent, but effectiveness of its components varies: the SC meets irregularly, the MC when required, while the SG meets regularly but discussions are not always strategic, and links to SC decisions are unclear. The IPWG meets regularly and is perceived to be structured and effective, while the GWG meets ad hoc and has limited impact on gender matters.

Government voice: could and should be clearer. While the voice and role of Government of the Islamic Republic of Afghanistan (GIRoA) has increased in ARTF management and governance bodies, GIRoA activity levels remain well below what it has stated as its ambition level, which thus remains a challenge to its ownership.

ARTF resources: split between budget support and project funding, but focused on appropriate issues. The Recurrent Cost Window (RCW) funds the national budget while Investment Window (IW) projects address more directly poverty concerns. For some donors, the Government's efforts at delivering basic services also in areas it does not control is commendable, while for others it raises questions of whether ARTF support legitimizes control by non-state actors, posing a dilemma for the ARTF as a consensus vehicle. While some poverty indicators have worsened, the larger picture is that the ARTF has provided critical funding and acted as a stabilizing resource when other external funding has decreased: without ARTF funding for broad-based social services and community development, observers believe the situation would have been more precarious. In the face of continuing conflict, the ARTF therefore provides an appropriate institutional response, with a predictable and transparently managed flow of on-budget resources through a collective-action body that represents institutional solidity and continuity, in line with the *WDR 2017* focus on *commitment, coordination and cooperation.*

ARTF policy-setting could be strengthened, with focus on core tasks. With a rapidly changing country context, the ARTF needs an active policy-discussing and decision-making body. There is agreement that the SC should be revitalized, providing the ARTF with a clearer direction, including perhaps clearer "rules of engagement" for financing into contested areas. But it should focus on its core tasks and not take on responsibilities for which it has neither a mandate nor capacities. Because the ARTF, despite some organizational challenges, is seen as a highly operational body in a very constraining context, some actors have suggested that the ARTF take on new responsibilities – humanitarian aid, coordination of off- and on-budget aid. However, other bodies – the UN and NGOs for humanitarian aid, government-led bodies for aid coordination – would seem more appropriate for such issues.

ARTF Performance

Most recommendations from the 2012 review implemented – remaining issues are addressed later in this review. Important steps have been taken to strengthen national ownership, which is a main issue also for this review. But while the proposed Research and Analysis Program (RAP) was established, it has primarily been used by the Bank's project managers (Task Team Leaders, TTLs) rather than

supporting Afghan knowledge centers in building their expertise and ability to contribute to the national conversation, as was intended.

Kabul-based Bank staff levels *fairly constant but* composition *changing.* Over the last 6 years, Bank *management* has remained constant, international *technical* staff has fallen from 14 to 5 while Afghan technical staff has grown from 25 to 34, several being project TTLs. Given security concerns, international staff in Kabul will remain limited, but a program leader for human development and governance and one on monitoring and reporting have joined, and third-party monitoring is increasing.

The Bank's Gender Strategy has increased resources and attention to gender challenges in Afghanistan; continued focus, operationalization and monitoring is required to maintain progress and avoid back-sliding. Especially in the social sectors, Afghanistan can point to important gains that are in part due to ARTF support. The tools put in place to track progress are helpful, though the Bank and GIRoA needs to maintain and increase their efforts to address the barriers to improve gender equality.

Conflict sensitivity in part requires acceptance of harsh realities on the ground. Local elites in contested areas have shown they can accommodate various concerns, including continued central government service provision, but typically based on local bargaining and rent sharing, posing issues regarding ethical boundaries versus realistic choices for ARTF partners.

Poverty reduction and economic growth remain core yet distant goals. ARTF projects support GIRoA's investments in human resources and local development as a basis for broad-based growth in line with the SDGs, but investments in business climate and infrastructure cannot overcome a stagnant economy, in part caused by conflict, in part due to governance issues.

ARTF as a Financing Instrument

ARTF includes features that provide the bases for financial flexibility. The upcoming Partnership Framework and Financing Program (PFFP) allows the parties to discuss how Recurrent Cost Window (RCW) and Investment window (IW) funding can align better with GIRoA priorities. The RCW has evolved from refunding eligible recurrent expenditures to introducing an incentives-based mechanism for support to reforms in key public financial management (PFM) areas. The *Ad Hoc Payments* facility increases possibilities for on-budget funding, but these pass-through payments have less transparent conditions than ARTF disbursements. The IW is directing more funds to sector interventions, and is poised to support NPPs once the Government provides operational and monitorable plans.

The ARTF: A Bank mechanism. The ARTF, as a Bank managed mechanism, applies Bank procedures, where time required for planning and management, including *No Objection letters,* at times creates frustrations with some partners. The requirement by the Bank to "lock in" the entire budget for large-scale projects from committed funds, the difficulties in re-allocating funds between projects – though as often a GIRoA challenge – with some donor preferencing, together create rigidities in resource management that should be addressed. "Tranching" of disbursements helps cash flow management but not the more structural constraints. The recently adopted Multiphase Programming Approach (MPA) by the Bank allows for more flexible projects and tailored budgeting, which for a high-volume, high-risk portfolio like ARTF's, appears highly relevant for addressing current rigidities.

A comprehensive annual portfolio review of both IW and RCW funding supports closer alignment, more flexible use of funds, while maintaining fiduciary oversight and control. Annual project portfolio and RCW reviews that are timed to coincide with the MoF budget process should give GIRoA a better steer on funding and prioritization. Applying the MPA modality to all multi-phase projects, and having these projects come up for consideration during the annual review, will provide possibilities for budget re-allocations based on a coherent and comprehensive view of needs and potential savings.

Results Monitoring and Reporting

ARTF reporting: comprehensive, requiring more higher-level focus. The ARTF has a comprehensive monitoring, reporting and communications strategy that covers results tracking from project activities through to Outcome and Impact levels. The ARTF Scorecard is the central instrument, while ARTF bi-annual and annual reports provide more detail. Most information is available on the ARTF web-site. External reviews and evaluations are undertaken, but not to the extent one would expect for a program that disburses USD 800-900 million/year. The Scorecard is an innovative, comprehensive and the single most important monitoring and reporting instrument, but has been found wanting in not providing sufficient information on project Outcomes, and the 2016 report was very late.

Third-party monitoring provides critical value-added, but needs to ensure independence and coverage. While the Monitoring Agent (MA) tracks eligibility for RCW refunding, the Supervisory Agent (SA) validates construction of five infrastructure-intensive projects. This third-party monitoring is critical to the credibility of the direct ARTF results reporting. SA is applying more technology for improved monitoring and increasing somewhat use of community monitors, while the MA visits only about half the sites outside Kabul that they were expected to, due to security and budget constraints.

The Government aspires to take on more of the results monitoring and reporting responsibilities, but needs to show that it has the capacity, skills and political will. All ministries have quality assurance units, and all project reporting uses GIRoA data and systems for basic information. When it comes to producing critical and in-depth studies, the view among donors is that Government is not yet pushing for independent and evidence-based reporting. While there is strong support for GIRoA-led quality assurance of activities, this role can only evolve as Government shows a will for increased transparency, openness and accountability, and capacity and quality of GIRoA monitoring bodies are put in place.

Capacity Building

Capacity building: no overarching strategy but broad-based set of interventions. The ARTF does not have an overarching capacity building strategy, but finances numerous capacity building activities. Under the RCW, the MA provides some limited training while the IP supported reforms aim at building institutions and capacities. Under the IW, the SA has provided quality assurance training while projects are strengthening systems, technical skills, and general planning, implementation and reporting.

Monitoring Agent: focus on management and validation. The MA historically provided some training to accounting staff in the MoF and key line ministries, and *moustofiats*. The focus now is on supervision and management in the MoF and field-based verification, though funding and security concerns constrain activities. The basic problem remains, as ineligible expenditures continue to be very high.

Supervisory Agent: few training results. SA has staff in five ministries assisting with the interpretation of SA reports, thus providing some on-the-job training, and has trained some local monitors. Formal training of engineers in MoE was successful in imparting skills, but with no impact since MoE did not provide necessary resources for the engineers to use new skills. SA-provided skills upgrading thus remains *ad hoc* and not a central part of its task or contract.

Capacity Building Facility: important ambitions, disappointing results. A five-year USD 350 million CBR facility was to drive public sector reforms while building additional capacity through the recruitment of skilled mid- and higher-level managers into *tashkeel* positions. First phase reforms stalled, partly due to lack of political and policy commitment, leading to the program being revised down to USD 150 million, the Independent Administrative Reform and Civil Service Commission (IARCSC) was made manager, staff recruitment has been streamlined, and while total disbursements will end up around USD 50 million, the remaining USD 100 million are meant for a follow-on phase

that is designed to take on board lessons learned. The CBR has succeeded in harmonizing the pay for National Technical Assistance (NTA) staff, and unifying and harmonizing several projects, thus reducing management/ transaction costs to donors and GIRoA. The role of public service training institutions remains marginal, so the capacity to produce capacity has not been addressed.

Fiscal Support Project: high-risk – high pay-off? The Bank historically supported PFM reforms through several technical assistance projects. The MoF has now developed a Fiscal Performance Improvement Plan (FPIP) that addresses the entire MoF, Supreme Audit Office and National Procurement Authority. The Bank's upcoming Fiscal Support Project (FSP) is to assist the five-year rolling FPIP that includes nearly 100 performance teams with about 1,400 annual activities. While FPIP is better embedded than the CBR reforms, it will be important to track performance: if the MoF is not able to address ineligible expenditures, should it simultaneously address another 1,399 targets?

Integrating PIUs/PMUs: largely done. GIRoA wants to eliminate the use of Project Implementation/ Management Units, and this is largely happening: new ARTF programs have implementation models that are integrated into ministry structures and employ *tashkeel* staff, including some who are CBR recruited. The ARTF's FSP backs this approach with its funding of the FPIP.

RAP transiting to ASIST: more relevant products? The Results and Analysis Program (RAP) got off to a slow start in 2015, with 17 activities approved and 5 finalized. Most studies are exploratory for improving existing or future interventions, run by Bank TTLs. The RAP is suggested replaced by a more ambitious Advisory Services-Implementation Support-Technical Assistance (ASIST) facility, with a proposed USD 6 million/year, with sub-windows for key NPPs that ARTF financing will support. A key objective of the RAP in the 2012 ARTF review, however, was to provide financing for strengthening local Afghan knowledge centers to look into issues like distributional effects and sustainability challenges of ARTF-funded programs. This dimension seems missing also from the ASIST.

Strengthening Government Ownership

Agreement on stronger Government ownership, divergence on what this entails. All parties would like GIRoA to assume greater leadership and ownership of the ARTF, from the design of the financing strategy down to the quality assurance of activities funded. This includes a clearer role and stronger voice in ARTF policy and management bodies. The consensus is that this is largely for GIRoA to decide and step in whenever it feels ready and can show commitment and capacity.

Managing activities: building capacities through partnerships: A key issue is building ministry capacities to design, implement and monitor ARTF-funded activities. As PIUs gradually disappear and tasks are taken over by the ministries, the *structural* conditions are in place. The challenge is to ways to implement the new approach, taking into account Bank international staff's limited in-country time.

The new approach: a top-to-bottom review of "doing business": The ARTF partners have over the last years discussed the challenges for improving ARTF performance, from assessing the entire delivery chain of ARTF-funded activities to the ARTF management and decision-making structure and process. The new Partnership Framework and Financing Program is to provide the parameters for such a revised action plan that is based on the Government's priorities while respecting the premises for donors providing the continued funding of the ARTF under World Bank stewardship.

Conclusions and Recommendations

In a challenging and rapidly changing context, the ARTF remains a critical arena for joint analysis, discussion and decision; a mechanism for directive, prioritized collective action; a cost-efficient tool for channeling financial and technical support to the Government's priorities; and an enduring commitment and partnership with Afghanistan's future that allows and invites critical assessments of choices ahead.

Like all complex bodies, it faces challenges and needs for adjustment at several levels. Table 9.1 presents issues that ARTF partners feel should be addressed. The review team's Recommendations below focus on more general concerns, grouped into four thematic areas: ARTF governance structure and management; financial management; results monitoring and reporting; and capacity building. The team has not prioritized these, since this should be discussed by the partners on the ground, and ultimately decided by the ARTF Steering Committee.

1. *ARTF Governance Structure and Management:* For the world's largest and longest running MTDF to work efficiently and effectively, the team recommends that the Bank as the ARTF administrator, in consultation with its donors and GIRoA, consider the following steps:

   a. Provide a rolling annual/semi-annual indicative calendar of events for the core bodies (SC, MC, SG), with agreements on better defined agendas; clearer linkages SG to SC; better preparations for meetings with documents available at least one week in advance.

   b. Strengthen the strategic role of the GWG by addressing the issues raised in the November letter (see box 4.1), and put in place the required formal linkage to the SG.

   c. Consider establishing better linkages between the SC and High Development Councils.

   d. Make the ARTF introduction courses for donors and GIRoA staff compulsory and on-line.

   e. Encourage, and coordinate with, GIRoA, to transfer to the extent possible, the ownership and responsibility of the agenda-setting, preparation, and, security permitting, hosting for the various governance bodies, provided that GIRoA is willing and able to take on such a responsibility.

   f. As part of this plan, clarify/amplify roles of other parts of the Government, such as the Ministry of Women's Affairs in the GWG, Ministry of Economy for results and monitoring, and the line ministries roles and involvement in the ARTF decision-making bodies in general.

   g. Develop the proposed ARTF Anti-corruption Action Plan to contain (i) a diagnostic of the concrete vulnerabilities to corruption that ARTF-funded activities face, (ii) identify RCW and project-specific steps to address vulnerabilities, (iii) establish links to national bodies – public and non-state – working in the field of anti-corruption to both benefit from their work and potentially support their work, (iv) define the roles and responsibilities of the MA and SA within this field, (v) establish an ARTF focal point who will be responsible for monitoring and reporting on the ARTF's anti-corruption work on a regular basis.

   h. Consider roles and responsibilities of the donors, and in particular how donor capacities in their respective capitals can be engaged in ARTF processes, by (i) more use of video-links, (ii) linking ARTF events to international meetings (biennial International Conference, in-country Senior Officials' meetings) for more policy-level engagement, (iii) have donors inform well in advance of relevant HQ visits by policy or technical staff.

2. *ARTF Financial Management:* The ARTF should provide greater flexibility regarding reallocations of funds, where the Partnership Framework and Financing Program (PFFP) should provide rolling three-year fiscal frameworks that align with ANPDF priorities and identified NPPs. To achieve this:

   a. Annual portfolio reviews, timed to feed into the Government's budget process, should both look at the RCW incentive program and project/program funding. For IW funded projects, the budget for the coming year should be critically assessed, to free up excess funding and maximize possibilities for additional fiscal space;

   b. Multiphase Programming Approach (MPA) should be applied to eligible programs with more than a three-year time horizon, where subsequent phases are part of the portfolio review;

    c.   Incentive based project disbursements should be applied more broadly, providing funding that is less inputs-determined, adding further fiscal flexibility for GIRoA;

    d.   Where the portfolio reviews identify unsatisfactory performance and GIRoA wants to transfer funds to other approved activities, this should first be formalized in GIRoA's budget process, and the ARTF Administrator should ensure smooth processing of the subsequent necessary changes within the ARTF;

    e.   The *Ad Hoc Payments* facility should be maintained, but the conditions for all pass-through payments should be publicly available and harmonized with those for ARTF financing;

    f.   The PFFP should provide specific gender equality and anti-corruption objectives for programs to be funded, ensuring funding levels that make foreseen results realistic and achievable.

3. *ARTF Results Monitoring and Reporting:* The ARTF has a comprehensive monitoring, reporting and communications strategy that covers results tracking from project activities to overarching ARTF results. The ARTF Scorecard is the central instrument, innovative and comprehensive, though should provide more information on Outcomes. External reviews and evaluations are undertaken, but not to the extent one would expect for a program that disburses USD 800-900 million/year. With the new reporting officer in place, the ARTF should:

    a.   The ARTF Scorecard should be structured as suggested: produced by calendar year with mid-year reporting on Outcomes, presented at the latest three months after the reporting period has ended, include more indicators, and more linkages to the SDGs;

    b.   Do more external reviews of larger programs and projects, with focus on value for money but also qualitative and distributional Outcomes and Impacts, applying flexible methodologies (case studies, Most Significant Change), involving local knowledge centers;

    c.   Support systematic strengthening of community-based reporting, and their linkages to relevant authorities (community scorecards, local monitors, complaint mechanisms, whistle-blowing/ grievance redress mechanisms). Have MA/SA verify and support the development of such systems when and where they carry out on-the-ground verifications;

    d.   Ensure that all ARTF funded activities, current and future, have a conflict sensitive design, and that all reviews/revisions contain a conflict analysis update;

    e.   Define the indicators and set monitorable targets for important cross-cutting dimensions: gender equality; conflict sensitivity, anti-corruption efforts; use where possible indicators from the OECD-DAC work on SDG indicators; apply where relevant Central Statistics Organization data;

    f.   Coordinate reviews of ARTF-funded activities with bilateral actors engaged in that sector; develop annual review/supervision mission calendars for minimizing costs to GIRoA, opening possibilities for more broad-based/ joint quality assurance activities;

    g.   Given the size of the ARTF and the volatility in Afghanistan, commission external performance reviews of the ARTF every three years, as input to the preparation of the PFFP;

    h.   Review with GIRoA the national monitoring and evaluation structures and capacities, and review with Government if and how the ARTF can contribute to developing these.

4. *Capacity Building:* ARTF should develop a more comprehensive capacity building strategy that could guide the significant and important capacity building activities being funded:

a. With GIRoA, the IARCSC and perhaps the UN, develop a comprehensive Capacity Development strategy for the public sector, based on a Theory of Change that will allow for hypothesis testing and improvements over time;

b. Track the FPIP process closely, as this comprehensive reform process has the potential for great success as well as failure, so it is important to track lessons for the future;

c. With the next phase CBR, consider taking a broad labor-market approach: (i) put priority on skills that the public sector needs across administrative boundaries (accounting, IT management, PFM, procurement etc.) – *the supply side,* (ii) carry out functional reviews of key public bodies that are to be supported – *the demand side*, (iii) ensure hiring more females; (iv) do a systematic review of public training institutions, in particular how core institutions like ACSI can support, monitor, address consistency, completeness and comprehensiveness of public sector skills upgrading; (v) develop a 3-5 year program for rationalizing and getting a national public capacity building system in place;

d. Explore options for links to similar institutions in the region to strengthen own capacity programs and systems through institutional twinning, peer reviews, particular skills contracting, etc.;

e. Continue the work on public pay reform to lessen the gap between CBR/National Technical Assistants wage scales, and regular pay and grade salaries.

2   Introduction and Background

The World Bank, on behalf of the Afghanistan Reconstruction Trust Fund (ARTF) partners, contracted Scanteam/Norway in collaboration with the Peace Training and Research Organization (PTRO)/Kabul, to carry out an external review of the ARTF in accordance with the announced Terms of Reference (ToR – see Annex A). This Final Report is in fulfillment of this task.

2.1   Background

The *Afghanistan Reconstruction Trust Fund* (ARTF) is a multi-donor trust fund (MDTF) established in 2002 to provide a coordinated financing mechanism for Afghanistan's budget and priority national investment projects. It is the largest single source of on-budget financing for Afghanistan's development, having mobilized nearly USD 10.5 billion till October 2017 from its 34 donors, 17 of which are still active contributors. The ARTF, in addition to direct budget support, also funds programs in the key sectors of education, health, agriculture, rural development, infrastructure, and governance. The ARTF Administrator is the World Bank ("the Bank"). The main partners to the ARTF are thus the Government of the Islamic Republic of Afghanistan (GIRoA), the donors to the ARTF, and the Bank.

As a multi-stakeholder compact, it is periodically subjected to external evaluations, the previous ones having taken place in 2005, 2008 and 2012. The starting point for this fourth review is the contribution that ARTF is to make to the **Afghanistan National Peace and Development Framework (ANPDF) 2017-2021,** the development program for Afghanistan prepared by GIRoA. This in turn builds on its strategy paper **Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership** ("Self-reliance paper),** presented to the international community at the London Conference in December 2014. The ANPDF is operationalized in the *Self Reliance through Mutual Accountability Framework (SMAF),* agreed by the international community and GIRoA in September 2015 and updated at the Brussels Conference in October 2016. The SMAF contains a set of 24 deliverables for 2017-2018, where number 16 is "*Results of the ARTF external review are submitted to Steering Committee by October 2017 for approval*". This report is hence in fulfilment of this.

2.2   Objectives of the Review

The ARTF is of great importance as a source of funding for the ANPDF and its National Priority Programs (NPPs). The **main objective** of the review is therefore to assess the extent to which the ARTF is a *Fit for Purpose* mechanism that can adapt to Government needs, purpose and priorities as presented in the ANPDF.

In doing so, the team is to identify solutions to how GIRoA can apply ARTF more effectively by on the one hand assessing the ARTF as a funding mechanism (strategy and performance; governance and administration; portfolio management and quality; monitoring and evaluation), while also looking at roles and performance of the ARTF stakeholders.

2.3   Scope of Work

The ToR divides the task in 8 key areas: (i) Background, Strategy and Performance, (ii) Flexibility of ARTF as a Financing Instrument; (iii) Governance, Administration and Government Ownership; (iv) Development Budget Flexibility; (v) Planning and Design of Government Programs Funded; (vi) Program Implementation and Portfolio Management; (vii) Institution and Capacity Building; and (viii) Results Monitoring and Reporting. It then presents 38 more specific issues to be addressed.

The review is thus quite comprehensive, and the task was streamlined by agreeing which data sources to use for each question, and to clarify the focus for some of the questions. These clarifications were presented in the Inception Report, and are shown in Annex tables D.2 and D.1, respectively.

In elaborating the report, certain issues emerged as more central than originally envisaged, and have therefore been given more attention. This concerns the question of increased Government ownership, the gender dimension, how to address concerns over corruption, and issues of operations in areas not necessarily under Government control.

2.4   Deliverables

The review was to produce the following deliverables:

- *The Inception Report* (IR) presented the task understanding and methodology applied as well as data sources and tools, and the core annexes. A draft IR was sent to ARTF partners for comments, and based on the feed-back, including on how to better define the task, the IR was finalized.

- *The Interim Review Report* (IRR) contained the evidentiary basis, findings and first conclusions based on the document review, early interviews, and survey results, and was used as the basis for a series of six stakeholder workshops in Kabul during the period 10-15 September 2017.

- *Draft Report*: Once the fieldwork was finalized, the team prepared the Draft Final Report that was sent to all stakeholders including the Contact Advisory Group (CAG) for comments.

- *Comments Response Sheet (CRS).* Once all comments were received, the team put together a CRS, containing: (i) the comment by the ARTF partner, (ii) the response by the team, (iii) the proposed change, if any, to the report. But a number of comments also pointed to a need for re-working the last chapter, both on main findings but also the recommendations, so a thoroughly redrafted chapter 9 was produced. The CRS and revised chapter 9 were sent to stakeholders and the CAG, and while no further reactions were received from the stakeholders, CAG members provided some insights that have been taken into account in the finalization of this report.

- *Final Report*: This Final Report is thus based on the final feed-back on the full set of materials shared with stakeholders.

2.5   Structure of Report and Acknowledgements

The report is divided into seven substantive chapters that address the core issues laid out in the ToR. Chapter 3 looks at some of the drivers behind the changing context for the ARTF, its governance structure and how this is viewed by its key stakeholders. The report then looks at performance aspects the team was asked to review (chapter 4) before reviewing how the ARTF performs as a financing instrument (chapter 5). It then looks at issues surrounding monitoring and reporting, which is an aspect drawing increased attention (chapter 6), before assessing how well the issue of capacity building is addressed (chapter 7). The report then discusses the critical challenge of Government ownership (chapter 8), before summing up and providing the team's recommendations (chapter 9).

Annexes present the Terms of Reference (annex A), the persons spoken with (annex B) and documents consulted (annex C) before providing the methodology used and instruments applied (annex D), and an annex regarding foundations for a more complete capacity development strategy (annex E).

The report is based on a careful document review, a survey, but first and foremost the interviews and workshops with over 150 stakeholders, in Afghanistan and abroad. The team is extremely grateful to all those who shared of their time and experience, and without whose help this task would not have been possible. We are in particular grateful to the Bank for its support and hosting of the process; the Ministry of Finance, for its active engagement during the field visit and the time set aside for meeting with the team; to donor representatives for their time and engagement in the workshops and feed-back process; and to the CAG members for their thoughtful and supportive observations.

3 ARTF: Context and Governance

Afghanistan is undergoing rapid changes. At the macro level, the economy is facing major challenges, and a recent household survey points to increasing poverty levels. The security situation, and thus the Government's ability to provide basic services and protection, is deteriorating. At the same time, important changes and improvements are taking place, so in a complex environment, how does or should this affect the ARTF? How well does the ARTF's current governance structure and performance fit the new demands? In this context, are there lessons that the ARTF could learn from other multi-donor trust funds (MDTFs)? And finally, how do the three major stakeholder groups – the national authorities, the donors, and the World Bank as ARTF administrator – view the ARTF? These issues are looked at as a means to understanding the ARTF as a consensus-built construct.

3.1 Conflict and Development

Conflict and development: What have we learned? The World Bank's 2011 *World Development Report* notes that "*the central message of the report is that strengthening legitimate institutions and governance to provide citizens security, justice, and jobs is crucial to break cycles of violence*" (WDR 2011, p. 2) [1]. The **costs** of internal conflict are significant: a country that experienced violence during the period 1981-2005, had a poverty rate 21% higher than in non-violent countries, and the average cost of civil war was equivalent to more than 30 years of GDP growth for a medium-size developing country (ibid, pp. 5-6). In this context, **corruption** has a doubly pernicious effect because it fuels grievances while undermining effectiveness and trust in national institutions. It furthermore may take 15-30 years to raise institutional performance from fragile to functional state – though with social media and modern communications, the pressures for improved performance may accelerate these changes. However, in order to achieve this, institutional development programs should be "*a mixture of state and non-state, bottom-up and top-down approaches … (to) underpin longer-term institutional transformation*" (ibid, p. 19) – that is, there should be local involvement that empowers communities to demand services and quality assure their delivery, while central bodies should support and guide such efforts, provide credible feed-back and grievance mechanisms, and ensure follow-up and corrective action when poor performance is identified.

Conflict and governance: the problem of stability. The 2017 *WDR* notes that Sustainable Development Goal (SDG) 16 calls for promoting "*peace, justice and strong institutions*", and that the attainment of this Goal is fundamental to reaching the others[2]. The foundation for strong institutions is the rule of law, but getting to rules-based effectiveness is challenging. While a lot is known about what formal institutional arrangements ought to be, actual *performance* often falls short of expectations. The WDR found that institutions need to ensure three core functions: ***commitment, coordination and cooperation*** (WDR 2017, p. 5), because *function* rather than formal *structure* is key. Another critical finding is that a country's long-term growth is less a function of growth spurts, but rather ability to avoid contracting in periods of economic crisis or violence. Institutional solidity and stability is important for escaping these downward traps, and the report discusses how inclusion, avoidance of elite capture, contestability of political power and decisions, and incentives for identifying common positions contribute to such long-term benefits. The report thus pays considerable attention to power and interests of political actors in shaping institutions and results. In the context of Afghanistan, it can be argued that the ARTF is in fact playing an important *institutional* role. This is particularly clear when looking at the WDR's analysis of the degree to which broad-based participation – as a means for increased contestability and political

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[1] World Bank (2011), "World Development Report 2011: Conflict, Security and Development". Washington DC.

[2] World Bank (2017), "World Development Report 2017: Governance and The Law". Washington DC

participation – takes place in what are called regulatory (rules-setting and oversight) public bodies. The WDR notes that in low and middle- income countries, the avenues for publishing notices and regulations, requesting comments, reporting results and impact assessments are limited, yet these are crucial for participation and contestability (op. cit., figure O.6 p. 17). Yet these are all aspects of how the ARTF largely functions, representing an important vehicle for transparency and accountability.

Social service delivery: lessons from conflict settings. The core public goods that a state should provide are of course security and the rule of law – an area where Afghanistan is clearly facing challenges. But primary social services – health, education, water and particularly in urban areas also sewerage – are also central to the credibility of the state and its most visible presence on the ground and hence critical to the legitimacy and claimed value-added of the nation-state. The attention provided to these areas by the ARTF are thus in line with "good public-sector practices" and the Government's priorities. But in situations of state fragility and conflict, how to provide these services pan-territorially when some areas are contested in terms of *de facto* control, is a dilemma. A recent Bank study points to a series of lessons from the region that should be borne in mind when assessing the ARTF as a mechanism, its mandate and results[3] (box 3.1). This study is in line with another recent publication by a former World Bank manager for public sector reform in the Africa region, where he notes that "*a country's economy, polity, and society – and the institutions that underpin each of these – are embedded in a complex network of interdependencies. To be successful, reforms cannot be reengineered from scratch but need to be aligned with these realities. They need to be compatible with the incentives of a critical mass of influential actors…*".[4]

Box 3.1: Social Service Delivery in Violent Contexts

A recent Bank study (footnote 3) notes the need for adapting to realities on the ground when providing social services across complex and sometimes violent situations:

- Understand how political settlements – national, sectoral, sub-national, and relationships between national and sub-national elites – work.

- What different forms of violence exist, and the different implications on the services being delivered.

- How elite bargains function and how this can be part of service delivery, including dialogue, negotiations with armed groups, enlisting support of local elites, striking concessions and compromises, sharing rents.

- Delivery modalities: state ⇔ non-state, centralized ⇔ decentralized, single ⇔ multi-sector (bundling).

The research points to a number of lessons learned:

- Programs must adapt to sub-national contextual variations, and understand the local form of violence.

- The mechanics of elite bargaining must be put front and center – everything is political.

- Service delivery is not politically neutral: it can sustain, spur, mitigate violence, and rent-sharing may sometimes be necessary, and modes of delivery affect rent access and elite bargaining.

- Governance matters, but often not as expected.

- Some cases of progress might not resemble good governance.

- The disconnect between the donor discourse and the ground reality should be narrowed.

- A new governance paradigm for service delivery should be adopted.

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[3] World Bank (2017), "Social Service Delivery in Violent Contexts: Achieving Results against the Odds. A report from Afghanistan, Pakistan and Nepal". Washington DC, May.

[4] Brian Levy (2014), Working with the Grain: Integrating Governance and Growth in Development Strategies. Oxford University Press, pp. xiii-xiv.

3.2 The ARTF and a Changing Context

The ARTF: the world's largest and longest-running post-conflict multi-donor trust fund. Since its establishment in 2002, the ARTF has mobilized about USD 10.5 billion from a total of 34 donors, 17 of which are still active, and where the five largest donors over time – the US, the UK, Canada, Germany and the EU – have contributed 70% of this total[5]. Figure 3.1 shows the profile of contributions over time, with amounts that were provided as so-called un-preferenced, preferenced and Ad Hoc payments. As can be seen, over the last 6 years, the annual contributions have risen to around USD 900 million, but with significant annual variations.[6] While the increase in funding points to strong support for the ARTF, the changing context in Afghanistan also gives rise to a number of concerns, reflected in the TOR, which thus are addressed below.

Figure 3.1: ARTF Contributions by year, with preferencing (USD million)
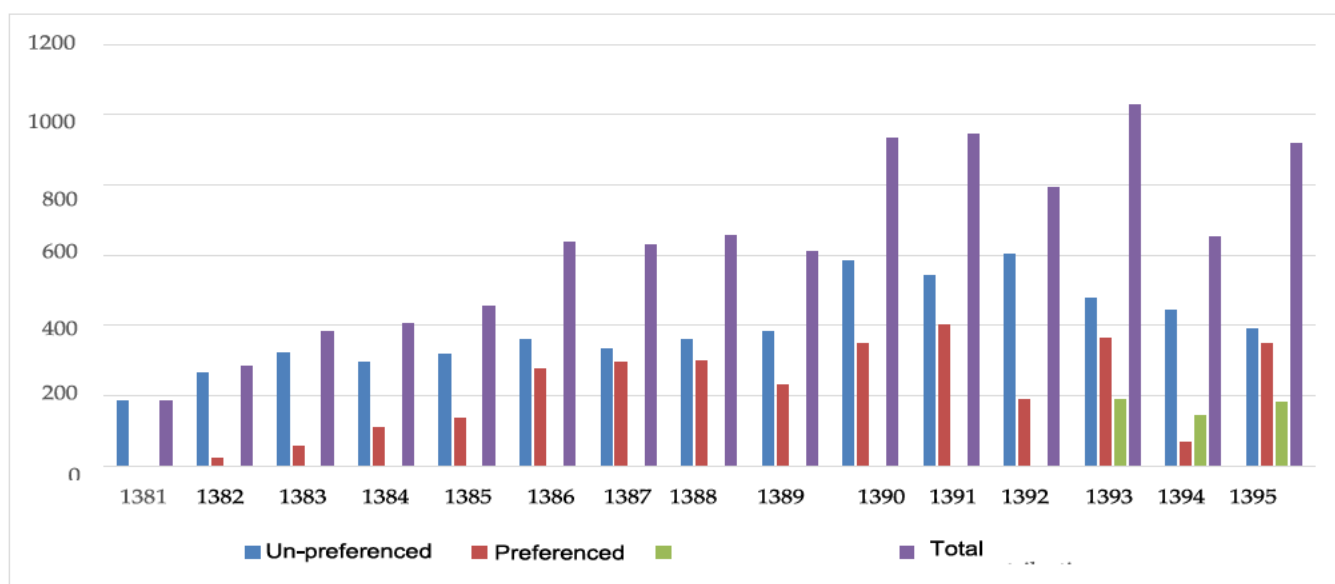
Source: ARTF End of year report. June-December 2016, figure 1, p. 2.

ARTF: A fund for reconstruction and development – and also for humanitarian needs? With the conflict increasing in intensity and geographic coverage and an increasing number of Afghan refugees returning from in neighboring countries, the need for humanitarian aid is increasing while the space for development and long-term investments may be decreasing[7]. While the ARTF has been set up to address long-term investment, capacity building and income generating needs, the question has been raised whether the ARTF agenda needs to be directed more towards immediate needs. ARTF support to Citizens' Charter and support for returnees' livelihoods is in fact addressing such concerns but without changing the mandate and longer-term focus.

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[5] ARTF Administrator's report, Financial status as of 22 August 2017, table 5.

[6] Afghanistan applied the Solar year (SY) up to an including 1391, which ran from 21 March 2012 only through 20 December 2012, with Fiscal Year (FY) 1392 running 21 Dec 2012-21 Dec 2013. FY 1395 covered 22 Dec 2015-20 Dec 2016 – in practice the (Gregorian) calendar year 2016.

[7] In the most recent End-of-year Report, the ARTF notes that *"Security challenges, however, supersede all factors, as they directly impede economic activities and affect business and consumer confidence … Growth in industry and services has been below the historical averages. Proxy indicators, such as new firm and vehicle registration numbers, point towards limited new investment"* (ARTF End of Year Report June-December 2016, p. 30).

Massive external assistance yet poverty is increasing: has ARTF failed? The data from the most recent household survey point to an *increase* in poverty over the most recent period, raising questions about whether the ARTF is failing in its poverty reduction objectives[8]. The Central Statistics Organization (CSO) report on the 2013-2014 Afghanistan Living Conditions Survey (ALCS) noted that the estimated/ imputed poverty in the 2007-08 report was 37.2%, fell to 35.2% in the 2011-12 survey, but now was up to 39.1% - a notable deterioration[9]. The World Bank, when analyzing the changes to poverty over the two first periods, noted several factors that affected poverty as measured by consumption or proxy data, but also that poverty, as a multi-dimensional phenomenon, required a broader understanding of what was happening. A key factor was the dynamics of the economy at large, where the withdrawal of foreign combat troops including their Provincial Reconstruction Team (PRT) funds around 2013-2014 led to lower levels of economic activity, particularly in the provinces with many troops. The report notes the distortive effects of the PRT funds, where more peaceful areas that hence did not have many troops, received less financing and experienced an *increase* in relative poverty levels. While the conflict affected poverty – conflict inevitably destroys productive assets, hinders economic activities and increases uncertainty and transaction costs – Afghanistan has also seen an increase in inequality, meaning that the poor have done relatively worse than the better-off, contributing to deepening the country's poverty challenges[10]. The mid-term report from the most recent 2016-2017 ALCS gives a mixed picture regarding some key dimensions of poverty reduction. Formal sector employment remained about the same for men as it was two years earlier, but had fallen for women – but still very low for both. Access to land – irrigated and rain-fed – had improved, but average land holding had fallen, though poor weather was the key factor explaining falling agricultural income. In education, attendance rates in primary school was the same for boys and girls, had fallen for both in secondary, and remained fairly stable at tertiary level. Gender gaps remained stable, but literacy rates for 15-24 year-olds – the accumulated effect of investments in education – had improved somewhat, and more for women than men, but was still very low by global standards. Health sector results were more positive, as seen in table 3.1. – The ARTF, as only one source of public-sector funding, although an important one, cannot be held accountable for the economic downturn that appears the most critical reason for increased poverty. The more relevant concern is if the ARTF, in light of the issues above, is adjusting its portfolio to address the country's poverty problems better, something that will be discussed below.

Table 3.1: Health-related performance, as per relevant SDG indicator

Indicator	ALCS 2013-14	ALCS 2016-17
% of population using safely managed drinking water (SDG 6.1.1)	64.8%	64.7%
% of population using safely managed sanitation facilities (SDG 6.2.1)	27.8%	40.4%
% of births attended by skilled health personnel (SDG 3.1.2)	45.2%	56.4%

Source: CSO (2017), table 6 p. 19.

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[8] In the discussions leading up to the implementation of this review, the Ministry of Finance raised the question of how it is possible that ARTF claims success for its projects but at the national level indicators are moving in the wrong direction. Given the size and importance of the ARTF, this seemed incongruous and needs addressing.

[9] CSO (2016), p. 90.

[10] World Bank (undated – 2015?), Afghanistan Poverty Status Update, pp. 5, 10-13.

3.3 ARTF Governance Structure and Performance

ARTF governance structure: complex, but adjusting to new demands. The ARTF's governance structure has evolved over time. Originally it consisted of a Donors' Committee, a Management Committee (MC), and the Bank as administrator. The Donors' Committee discussed ARTF developments and made policy decisions while the MC, consisting of multilateral agencies with no own-interest in the Fund, made the funding decisions. The Bank as administrator provided administrative and fiduciary services through an ARTF secretariat that was an integral part of the Bank's office in Kabul. An early change was giving GIRoA a formal seat and voice in both committees and transforming the decision-making body into a Steering Committee (SC). In 2011, given the increasing size and complexity of the ARTF, a number of working groups with technical staff were established to analyze and advice the SC on key matters: The Strategy Group (SG), the Gender Working Group (GWG) and the Incentive Program Working Group (IPWG), while the SC became a more high-level policy body (see figure 3.2).

Figure 3.2: Today's ARTF Governance Structure
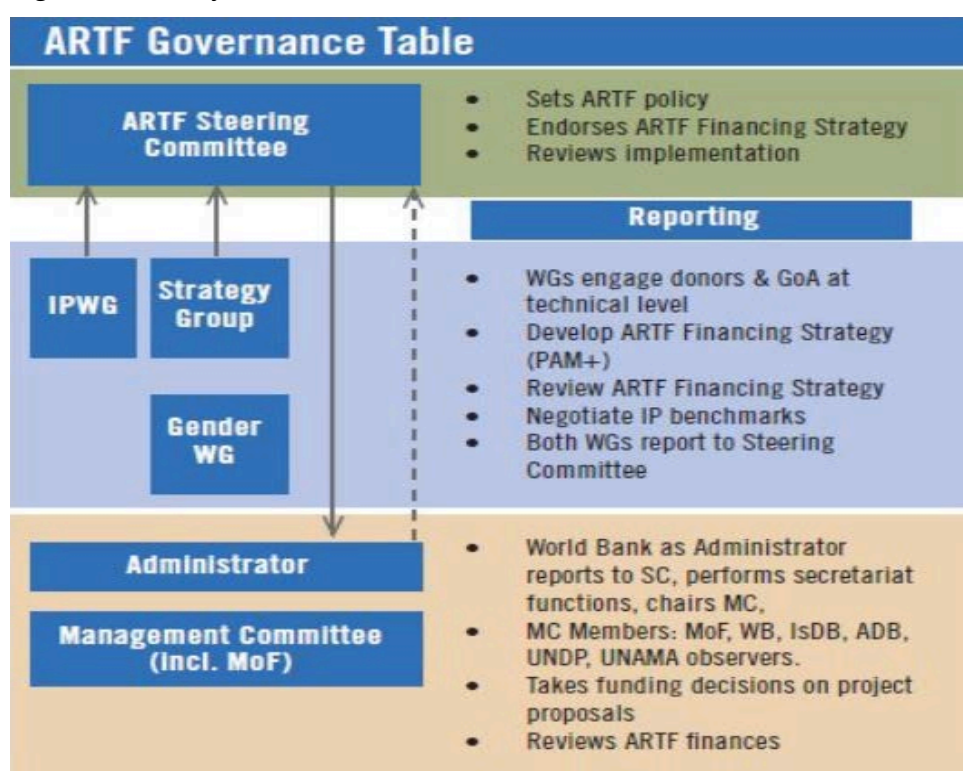
Source: http://www.artf.af/who-we-are/artf-governance

Steering Committee: formal decision making, limited policy debate. The mandate of the SC is to set ARTF policy, endorse the Financing Strategy, and review implementation. It is made up of all the ARTF donors, normally represented at Ambassador or Head of Mission level, co-chaired by the Ministry of Finance and the Bank, and where MC members can sit in as observers. While the SC was originally to meet quarterly, meeting frequency has been irregular, but with all SC meeting notes on the ARTF website:

> *2012*: 3 meetings;
> *2013*: 3 meetings;
> *2014*: No meetings;
> *2015:* 3 meetings;
> *2016*: No meetings;
> *2017*: One (a second one scheduled for late 2017 had to be postponed till early 2018).

A key reason has been lack of attendance by MoF policy officials, which led some donors to conclude that the SC had become an information sharing arena rather than a policy debating and decision forum. This conclusion was underpinned by the growing importance of the biennial donor conferences – Tokyo 2012, London 2014, Brussels 2016 – which is the forum where GIRoA presents its development agenda and gets high-level donor participation and commitment. The ARTF is largely a side-show to this. There is now, however, a commitment to revive the SC as a policy-discussing and deciding forum.

Management Committee: ***project approvals handled locally.*** The MC reviews and approves funding proposals, reviews ARTF finances, and makes recommendations to the Bank on the management of the ARTF. The MC consists of the MoF, the Asian Development Bank, the Islamic Development Bank, UNDP, the World Bank, with the UN Assistance Mission to Afghanistan (UNAMA) as observer. While Bank-funded projects need to go to the Bank's Board for approval, ARTF projects are approved locally by the MC, which makes decision making closer to the ground, allows for stronger Government voice, and improves transparency since all MC minutes are on the web-site. Project proposals are normally presented by the Bank's task team leader (TTL), and while the MoF is present, the respective line ministry counterparts are not.

*Strategy Group (SG): **forum for analysis and debate but needs focus.*** The SG meets monthly – when warranted more frequently through *ad hoc* meetings – and consists of key donors with technical expertise, the MoF, and the Bank. The SG is meant to review the Financing Strategy at the start of each fiscal year and provide recommendations to the SC, and in general provide analysis and advice on the ARTF. While the meetings are well attended and seen as useful, there is also a frustration with lack of structure, preparation and focus. Observers give several reasons: High turnover of donor staff so same issues get raised time and again despite the Bank organizing courses for newcomers. The cut-backs in embassy staff mean fewer technical experts and less time to study issues in-depth. Meetings sometimes have agendas that are too ambitious, and documentation may be inadequate and arrive late, which hampers discussion. With less strategic discussions, senior staff stop coming so junior representatives show up, both on the donor and MoF sides, devaluing meeting contents. And since the SC meets infrequently, there are questions if SG discussions have any consequences in terms of actual decisions.

*Gender Working Group (GWG): **strategic issue but limited voice.*** The GWG was established as a sub-group to the SG, to review gender aspects of ARTF-financed activities, share expertise on innovations in gender as they relate to the ARTF, make recommendations on improved gender reporting, and support gender mainstreaming in ARTF portfolio management, pipeline development and new initiatives. Meetings are *ad hoc*, however, and seen by several as unstructured and ineffective, and more one-way information-sharing from the Bank to the donors, than real discussions. While some donors send gender specialists, most members are generalists without specific gender expertise, so possible advice is not necessarily technically sound. GIRoA is represented by the MoF, which is mandated to bring along relevant line ministries, though this seldom happens, but where some donors have suggested to include the Ministry of Women's Affairs. In November 2017, 12 donors sent a letter to the Administrator to ask that the GWG be strengthened (see box 4.1). It is clear that for the GWG to become effective, it is important to secure a formal linkage to the SG. It is also important that GWG discusses the concrete barriers to gender sensitive programming and implementation in each of the ARTF projects in order for concrete actions to be identified

*Incentive Program Working Group (IPWG): **results-driven forum.*** The IPWG agrees the policy benchmarks with Government for release of funds, and reports on progress and results and thus the actual releases – these Incentive Program (IP) updates make up an important part of the periodical reports prepared by the ARTF administrator. In part because of the economic-technical aspects of the IP benchmarks, the working group is small, with participants asked to have a technical background that will allow them to make substantive contributions to the discussions and analysis. Since an

increasing share of the Recurrent Cost Window is for the IP, many donors have considerable interest in the IPWG, and they express satisfaction with the way it is organized, works, and reports.

ARTF administrator: solid expertise, dominant role across the fund. The Bank plays a number of roles in the ARTF: chairs /co-chairs, hosts and organizes the core bodies (SC, MC, SG, GWG, IPWG); provides secretarial/administrative/fiduciary services; produces factual/analytical material for decision making, projects/programs for funding with GIRoA counterparts; maintains the policy and implementation dialogue with national authorities; contracts and oversees third-party monitors and consultants; is the employer of project Task Team Leaders (TTLs) on ARTF funded projects; has implementation support roles on projects, in particular on issues concerning procurement and staff contracting, often on a "no objection" basis. While the Bank is given high marks for technical expertise, management and organizational solidity, there are concerns that it plays too dominant a role. GIRoA would like more local ownership and control, while some donors would like more transparency and accountability regarding funds use and results. Reporting in the form of the ARTF Scorecard was late in 2017, and donors largely receive summaries of the reports produced by the Supervisory and Monitoring Agents and TTL supervision missions. Some of the summary reports are seen as excessively positive by some donors, where they know that the complete reports may contains more complete assessments of the challenges being faced. Some donors worry that the Bank does not have a sufficient number of (international) staff on the ground for handling such a large and complex program (see section 4.2).

Box 3.2: Some survey comments regarding ARTF governance

"Strategy Group, Steering Committee and Management Committees would benefit from having clearer mandates, keeping to regular meeting times, and clearer linkages between each group and the decisions that are made by each. Donor HQ involvement should be considered where this will add to efficiency and effectiveness."

"Steering Committee Meetings need to be held more frequent in order for it to be an effective decision-making body. Decisions are rather taken in the run up to the SC Meetings during the discussions in the Strategy Group and exchanges between Kabul Offices and HQs. At least for the Strategy Group, there is no contact with the Management Committee…"

"The whole structure is weak. First, the Management Committee is the most important body but is invisible to donors - hence we don't feel we get much oversight of the pipeline; second, the steering committee and Strategy Group are not working well together: the SC has become a largely ceremonial body but the Strategy Group is not doing enough to fill the gap. As a group that meets monthly and with all the technical experts in Kabul, this should be pivotal but it does not have an identifiable agenda which it can coalesce around. Donors could do more to push this but we face inertia in the form of Government indifference to the group - they attend only occasionally - and a secretariat which isn't doing enough to frame discussions - the standard SG is a series of updates; it isn't often action-oriented and there is no sense of long term objectives that run from meeting to meeting. One relatively simple way to improve this would be for the Bank to improve the frequency and quality of its written progress reporting, so the SG comes to meetings well informed."

"The strategy working group is a forum for the WB to inform donors about developments/recent issues, and for donors to raise issues of concern. It does not have a decision making/advisory function as I see it. In order to make it work, several changes are needed: Documents need to be shared in advance so that donors can form a position. Topics of strategic importance need to be scheduled for the meetings. Donors need to engage and participate with the right competence and continuity."

3.4 Lessons from other MDTFs

ARTF as the largest and most complex MDTF: few models to learn from. The ARTF, with its more than USD 10 billion mobilized, is by far the largest single country multi-donor trust fund (MDTF). It is also among the oldest, having been established already in 2002, and thus also the longest continuous MDTF in existence (see comment on the Palestine MDTFs below). It is the MDTF with the most complex governance structure, reflecting both its size, number of contributors, and its continuing evolution, as the situation on the ground in Afghanistan has changed. While the ARTF in its early days benefited

from lessons learned elsewhere (Palestine, Timor Leste among others), the view of World Bank staff working with MDTFs at the Bank's Fragile, Conflict and Violence (FCV) hub in Nairobi is that the ARTF remains at the forefront of MDTF thinking and practice, and that generally they look to the ARTF for lessons – they do not see that there are many experiences elsewhere that would be of much assistance to the ARTF for its continuous development.

LOTFA and AITF: Afghanistan's other MDTFs. UNDP has administered the Law and Order Trust Fund for Afghanistan (LOTFA) since its inception in 2001[11], and the Asian Development Bank established its Afghanistan Infrastructure Trust Fund (AITF) in 2010[12]. LOTFA provides much of the funding for the salaries and some running costs of what has now become a 150,000+ security force. While LOTFA originally was a salary financing scheme – in the early days partially funded via a pass-through mechanism in the ARTF similar to today's Ad Hoc Payments scheme – the program has now evolved into two projects: (i) Support to Payroll Management, and (ii) Ministry of Interior Affairs and Police Development strengthening. The salary disbursement was for many years heavily criticized for lack of oversight and control, leading to mismanagement, corruption, nepotism in hiring etc. One observation made is that UNDP as administrator did not pay sufficient attention to the challenges and pitfalls of managing a fund that has typically disbursed USD 300-400 mill/year, and thus lacked the close oversight and interest by senior management that the World Bank provided to the ARTF. This was finally addressed some years ago when LOTFA was restructured with a more senior management group in charge. The AITF has suffered from a different set of constraints, namely trying to implement large-scale infrastructure programs in a volatile context. Since its inception till September 2016, the fund mobilized USD 760 million, received USD 361 million and disbursed USD 125 million for a program that is to build roads, railways, airports and power facilities. Questions have been raised whether Afghanistan is better off with three rather than for example one joint TF. But the division of labor based on the different contents/target groups may make sense: only the UN can, by mandate, provide support to security services, for example. The ADB is focusing on large-scale infrastructure investments that play to its main program in the country. Having AITF funds as part of a larger ARTF program might have made sense if the donors were flexible on how the funds could be spent, since ARTF has greater flexibility in reallocating across activities, but it is not clear that GIRoA would prefer this solution.

UNDP administered MDTFs: tending towards specific-purpose vehicles. UNDP has established a Multi-Partner Trust Funds (MPTF) Office in New York, to streamline, standardize and improve management and fiduciary standards for its trust funds. The job of managing such funds has exploded, with the office today having 68 such funds under its responsibility, in addition to other pooling mechanisms (see http://mptf.undp.org/overview/office). The total value of these funds is about the same as the ARTF. The funds vary in size, from only a few millions to the Iraq fund of over USD 1.35 billion. Objectives vary from thematic – fighting Ebola, supporting elections, addressing climate change – to single-country MPTFs like the one in Iraq. Some are limited-time vehicles for a particular task like an election, while others are open-ended, where one major difference between UN and Bank managed funds is that the UN accepts strict ear-marking. The MPTF Office thus offers one management for all funds, where a professional team ensures consistency, coherence and quality across funds regarding fiduciary standards and with real-time financial reporting on a unified web-site. Donors can thus track and aggregate what is happening to all funds they support, and there is a "one-stop-shop" they can

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[11]   See   http://www.af.undp.org/content/afghanistan/en/home/operations/projects/crisis_prevention_and_recovery/lotfa.html

[12] See https://www.adb.org/site/funds/funds/afghanistan-infrastructure-trust-fund

contact for assistance. It also means that within the UN family there is a simple go-to mechanism if a new fund is to be established, and an identifiable knowledge-center for advice and support[13].

Palestine MDTFs: a long history, an uncertain future. The World Bank established the first MDTF in the Palestinian territories in 1993, for channeling funds to the emerging Palestinian Authority after the Oslo accords were signed. The fund was an innovative step that required considerable legal work to find its form, but where the idea of a clear separation of functions within a multi-actor consensus vehicle in a contested environment was important. The Bank has had to close and open new funds over time as the situation on the ground changed, especially when Hamas won the Palestinian Legislative Council elections in January 2006. The current trust fund was established in 2008, and is different as it acts as a supplementary funding vehicle for the Bank's own reform process funding. The Bank has typically put up USD 40 million of its own money and then mobilized around USD 200 million from around five donors during the years up to 2013. Since then, contributions have fallen, being only USD 60 million in 2016, as a major donor pulled out due to what was considered a political problem of the budget support.

Figure 3.3: Bank Trust Funds, 2008-2017 – Total number, total disbursements
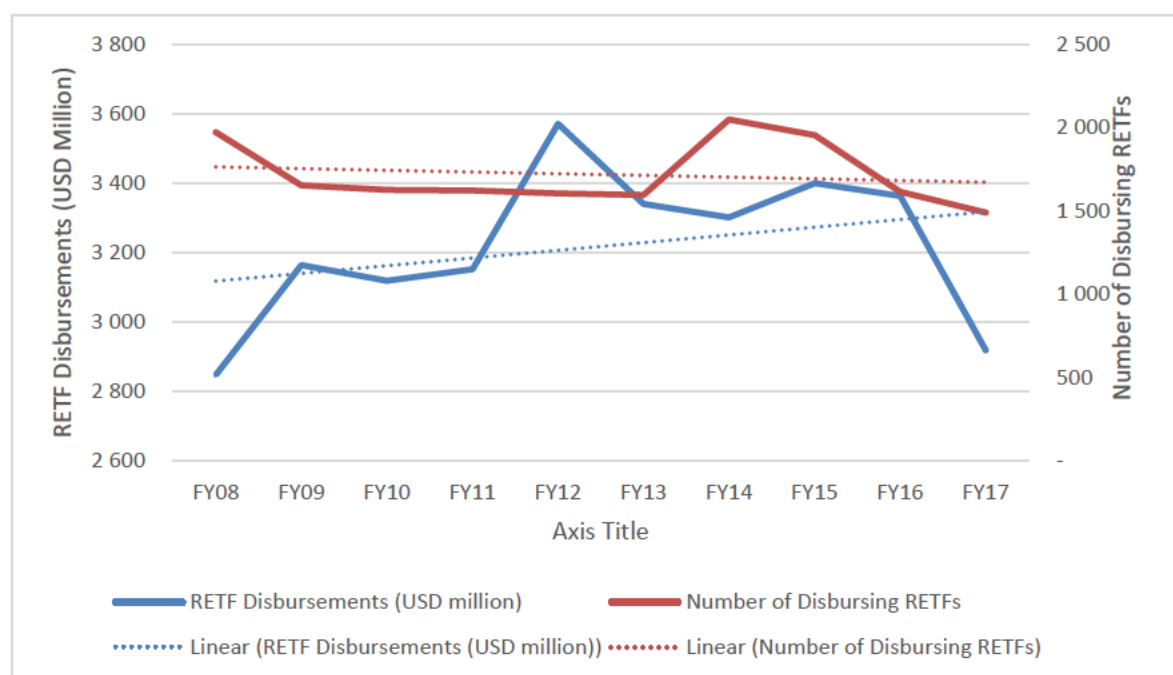
Source: World Bank data, received September 2017.

Other Bank-managed MDTFs: transiting towards Government ownership. Bank-managed TFs in Iraq, Timor Leste, for rebuilding Aceh after the *tsunami* and in Central Africa for the demobilization and reintegration of ex-combatants, have generally closed down, with transfer of responsibilities to national authorities. This occurs in situations where national authorities have had increasing territorial control and there has been little challenge to national authority[14], so that the ability to track how funds are being applied has in principle improved – societies have moved towards "normality", and the funds have thus increasingly been used post-conflict, as was intended. Overall, however, it is clear that the

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[13] The Bank's Development Partner Center/ Client Connection does allow donors to log in and get similar aggregated data but this is not in the same way publicly available.

[14] While the relationship to the Kurdish regions in the north remains to be resolved, ISIS has largely been defeated and national authority as such is not being challenged in the way that is happening in Afghanistan.

ARTF is unique. Figure 3.3 shows the average total disbursement by so-called recipient executed grants, which is how the ARTF is classified in the Bank system. On average the Bank has had about 1,700 disbursing trust funds each year for the last ten years. These have together disbursed a total of just over USD 32 billion, of which the ARTF accounts for nearly USD 7 billion, and is thus by far the largest one.

3.5 ARTF and Aid Coordination

ARTF is the largest source of external funding: should it play a larger aid coordination role? Afghanistan remains a highly aid dependent country, and harmonized, aligned and coordinated aid is important for effective, relevant and sustainable results. ARTF, congregating most of the larger donors that provide much of their funding through this channel, is thus seen as an important aid coordination mechanism. Some actors have suggested that the ARTF, as it has a secretariat that already manages both large information and financial flows, could take on a wider aid coordination role. In light of the other mechanisms already in place, this probably would not be helpful:

- *The Joint Coordination and Monitoring Board (JCMB)* was established in 2006 between the Afghan Government and the international community, and is a platform for strategic coordination, joint policy formulation and problem solving, co-chaired by the Minister of Finance and the Special Representative of the Secretary General (SRSG) in UNAMA (see http://www.budgetmof.gov.af/ index.php/en/2012-12-10-12-13-57/faq/212-what-isthejoint-coordination-and-monitoring-board-jcmb).

- *"5+3+3"* meetings take place every two weeks between the Heads of Agencies of the **5** largest donors (the US, the UK, the EU, Germany and Japan) plus **3** representatives from the group of other bilateral donors, plus **3** multilateral agencies (UNAMA, World Bank, Asian Development Bank) and the Ministry of Finance, while in the intervening weeks the donors only meet. Since much of the aid is for defense and security, the agendas for JCMB and "5+3+3" meetings are thus much wider than the remit of the ARTF.

- *The National Priority Program (NPP) Development Councils* are intended, among other things, to be in charge of coordinating the resources mobilized for the respective NPPs. While the Councils are national bodies, representing the ministries involved in implementing the particular NPP, this is in line with the Government's objective of taking greater ownership and leadership in resource mobilization and development management. The efficiency and effectiveness of the Councils so far established evidently vary, but in terms of mandate, their roles seem clear and are in principle to include all donors engaged within that NPP – that is, way beyond the ARTF donors.

- *Biennial donor conferences* are used to mobilize funding and political support for Afghanistan's development. Such meetings took place in Tokyo 2012, London 2014 and Brussels 2016. In Brussels, the 70 or so countries present pledged USD 15.2 billion for the four-year period till 2020. This comes in addition to the USD 5 billion/year that NATO promised to the Afghan defense forces over the same time period at a meeting in Warsaw in July 2016. In the years between these large international conferences, there is a Senior Officials' meeting in Kabul, prepared and hosted by the JCMB.

Humanitarian aid, elections: Do new needs require new coordination mechanisms? As the internal conflict escalates, the number of Afghan refugees in Pakistan and Iran returning to Afghanistan has been increasing, with the humanitarian needs thus growing. At the same time, the authorities and donor community are gearing up for the Parliamentary elections in 2018 and the presidential elections the year after, both of which will require large-scale donor financing. Neither of these are fields where it would seem that the ARTF has much to offer, as elections are typically handled by UN-managed special purpose and time-limited funds, while the humanitarian assistance is an on-going concern that is already largely handled by existing actors on the ground, such as local NGOs, the Afghanistan Red Crescent Societies and other local bodies.

Aid coordination: The larger formal bodies not effective, the smaller groups too ad hoc and fragmented. While there are a number of overarching coordinating bodies and events, many donors complain that they are too formal and thus do not allow for genuine discussion. On the other hand, there are supposedly numerous *ad hoc* bodies such as a donor-led state-building working group that may be too narrow and donor-focused, and these more specialized groups are claimed not to coordinate nor even being fully aware of what other similar groups are working on. The view is that there is overlap yet holes in the larger coordination picture, and that the ARTF could help structure these various activities, and that in particular the ARTF could take a role in coordinating all on-budget and off-budget external funding, to improve overall aid effectiveness. However, ARTF neither has the mandate nor really the manpower to take on additional responsibilities, and thus would not seem a constructive proposal.

3.6 ARTF in the Cross-Hairs: How do Stakeholders See it?

ARTF is both criticized and strongly supported, as many see potential for improvement. There is general agreement by the core stakeholders to the ARTF – the Government, the donors and the World Bank itself – that the ARTF plays an important role in pooling and channeling funds to the budget, and overseeing and reporting on their use. Observations, positive and critical, have been made, during interviews, as survey responses, and in writing, that reflect what are seen as the ARTF's comparative advantages, and where it can be improved. The more interesting ones are compiled in table 3.3 below.

Table 3.3: Some Stakeholder Views on Strengths and Weaknesses of the ARTF

Stakeholder	
Strengths and Opportunities seen by GIRoA	• Provides major contribution to GIRoA budget – assists mobilize amounts and from sources GIRoA on its own would not be able to • Innovative mechanism, adapted to the Afghan context. • Plays an important role in *coordinating* donor funding and *aligning* it with GIRoA priorities. • Low administration costs
Weaknesses and Threats seen be GIRoA	• Situation on the ground changes, including some Government structures, their functions and priorities, but ARTF has not changed along with the Afghan Government. • The Bank's *No Objection Letters* for procurements and project activities by Bank staff are slow, delay implementation.
Strengths and Opportunities seen by Donors	• Structured arena for GIRoA, Bank and development partners to discuss common issues - nothing else that is as useful for coordination and dialogue • Good on-budget vehicle. • Flexible tool that allows support to GIRoA that otherwise would not be possible. • With the fragility situation, this instrument is good. • The structure of the two windows gives flexibility • The Incentive Program enables support to reforms with performance benchmarks • ARTF and Bank's other inputs – independent/ analytical studies, IDA projects – provide synergies that strengthen overall performance • ARTF allows donors to meet their obligation of providing 50% of aid on-budget. • The Bank's strong operational presence allows donors to reduce their presence and rely on the ARTF for monitoring and oversight of their funds. • The Bank assumes fiduciary risk in a country where corruption is very high. • The results reporting of Outputs is good • ARTF reduces transaction costs for GIRoA in managing large pool of money, avoiding overlaps, duplication, ensuring coherence in priorities. • It a trustworthy way of working through government systems. • The Bank's long-term commitment provides stability, predictability. • The Bank has staff with high competence, good thematic knowledge. • ARTF website is good • Common monitoring is clearly an advantage.

Weaknesses and Threats seen by Donors	• Increasing (?) divergence between development partners' expectations and strategic interest in the use of the ARTF. • ARTF must meet new preferencing demands, such as geographic preferencing • With changing circumstances, need to redefine common ground for donors to remain together in a trust fund. • ARTF must adapt to the new development policy framework in a systematic way. • Revenue and private sector not emerging so still stuck in the previous architecture with a major RCW • With worsening security situation, growing impediments to work everywhere. • ARTF not managed like IDA-programs that are more evidence and results based. • Relations Administrator-donor sometimes testy, not hearing donor concerns • The financing of the ARTF is weakening. • Donors increasingly skeptical to progress, effectiveness of on-budget support. • GIRoA, Bank reluctance to share performance, vital information - questions about quality of data and indicators used to show progress – concerns about lack of information that can convince HQs that ARTF is effective • The Bank is slow in developing, presenting the Financing Strategy for 2018 • There are not good feedback mechanisms to gauge to what extent citizens see progress from ARTF funded programs in their areas. • TTLs spend too little time in Afghanistan – unsure of oversight, quality assurance • Challenges in documenting attributable results but increasing HQ pressures for this • Donors' fundamental agendas differ – i.e. development results vs anti-terror • Donors don't have influence in the design, set-up up programs • The corruption challenge remains • ARTF is not flexible enough to address emerging problem issues, areas
Strengths and Opportunities seen by the Administrator	• ARTF is unique in its budget support. No other World Bank program gives 50% budget support year after year. In Afghanistan ARTF only institution that does this. • ARTF working groups essential in bringing people together to build consensus • Significant amount of money with good development impact • Strong partnership between the 3 partners – remains close and constructive • Forefront of learning process – the Bank has learned from the ARTF rather than the other way around. Other TFs use ARTF as a template/ starting point. The key is donor coordination and harmonization – the counter-factual is the fragmented bilateral approach. • Useful collaboration, platform to discuss strategic issues, put more aid on-budget. • GIRoA has over time gained stronger role in spending and strategy decisions • Results on the ground (i.e. NSP, education, health) concrete gains due to pooling • RCW, Incentive Program innovative tools for budget support • Genuine commitment and will to deliver results by people in Government, among the donors, NGOs, the population.
Weaknesses and Threats seen be the Administrator	• The transparency on use, results from the donor contributions still not good • Increasing donor concerns may threaten long-term ARTF funding • Bank still operating through GIRoA as if standard working situation. As security worsens, how long can staff continue operating as they do? But what is new model? – more through UN, NGOs? Viable? • NPPs are not yet operationalized so no new activities to fund • Capacity of donors to track results and carry good strategy discussions has fallen

3.7 Findings and Conclusions

The ARTF: the world's largest and longest-running MDTF. The ARTF has mobilized USD 10.5 billion over its 15-year history for on-budget financing. The original structure of a Steering Committee (SC) for policy setting and a Management Committee (MC) for funding decisions has been complemented by a more technical Strategy Group (SG), a Gender Working Group (GWG) and an Incentive Program Working Group (IPWG). The ARTF remains transparent, but effectiveness of its components varies: the SC meets irregularly, the MC when required, while the SG meets regularly but discussions are not always strategic, and links to SC decisions are unclear. The IPWG meets regularly and is perceived to be structured and effective, while the GWG meets ad hoc and has limited impact on gender matters.

Government voice: could and should be clearer. While the voice and role of Government of the Islamic Republic of Afghanistan (GIRoA) has increased in ARTF management and governance bodies, GIRoA activity levels remain well below what it has stated as its ambition level, which thus remains a challenge to its ownership.

ARTF resources: split between budget support and project funding, but focused on appropriate issues. The Recurrent Cost Window (RCW) funds the national budget while Investment Window (IW) projects address more directly poverty concerns. For some donors, the Government's efforts at delivering basic services also in areas it does not control is commendable, while for others it raises questions of whether ARTF support legitimizes control by non-state actors, posing a dilemma for the ARTF as a consensus vehicle. While some poverty indicators have worsened, the larger picture is that the ARTF has provided critical funding and acted as a stabilizing resource when other external funding has decreased: without ARTF funding for broad-based social services and community development, observers believe the situation would have been more precarious. In the face of continuing conflict, the ARTF therefore provides an appropriate institutional response, with a predictable and transparently managed flow of on-budget resources through a collective-action body that represents institutional solidity and continuity, in line with the *WDR 2017* focus on *commitment, coordination and cooperation.*

ARTF policy-setting could be strengthened, with focus on core tasks. With a rapidly changing country context, the ARTF needs an active policy-discussing and decision-making body. There is agreement that the SC should be revitalized, providing the ARTF with a clearer direction, including perhaps clearer "rules of engagement" for financing into contested areas. But it should focus on its core tasks and not take on responsibilities for which it has neither a mandate nor capacities. Because the ARTF, despite some organizational challenges, is seen as a highly operational body in a very constraining context, some actors have suggested that the ARTF take on new responsibilities – humanitarian aid, coordination of off- and on-budget aid. However, other bodies – the UN and NGOs for humanitarian aid, government-led bodies for aid coordination – would seem more appropriate for such issues.

4 ARTF Performance

This study was to assess the follow-up to the 2012 review, how the Bank has addressed the management and staffing issues in an increasingly challenging environment, and finally achievements along the key cross-cutting dimensions of gender equality, conflict sensitivity, and poverty reduction.

4.1 Performance since 2012

The 2012 external evaluation recommendations: largely implemented. The 2012 report, ARTF at a Cross Roads: History and Future recommendations, was a strategic review of the ARTF in light of the changes to key framework conditions – in particular the withdrawal of foreign combat troops by 2014 and thus a likely shift in the political and security landscape. The report made some recommendations regarding how to reposition the portfolio in light of probable changes to the political forces at play, but also some suggestions for how the operations of the ARTF could be improved. This review was asked to report on the extent to which the recommendations have been followed up, which is presented in table 4.1.

Table 4.1: 2012 Review Recommendations and Status on Implementation

ARTF Deliverables	Status as of February 2016
Communications Strategy	*Delivered:* A needs assessment was carried, leading to an "ARTF Communications Toolbox" that was agreed, outlining the key tools for reporting and communication.
Results Reporting Strategy	*Delivered*: A new Results Management Framework has been agreed. This includes the new initiative of the ARTF Scorecard, an annual results report.
Results Matrix	*Delivered*: A new Results Matrix was developed and launched.
Website	*Delivered:* The new external web-site, www.artf.af, was launched in June 2013, and continues to be an important information source for ARTF stakeholders.
NPP Mapping	*Delivered:* A new and detailed NPP mapping was delivered for the Financing Strategy for FY 1392. This will be updated once new NPPs are developed by the Government.
Financing Strategy	*Delivered:* The update to ARTF Financing Strategy for 1394-1396 was endorsed by the SC in June 2015. The 1395 update was finalized late spring 2016.
O&M Financing	*Delivered*: A new O&M Facility, to focus on financing at provincial level, was set up under the Incentive Program. Implementation began with the fiscal year 1392.
Move to Program Approaches	*Ongoing*: Discussions with the Government on moving to programmatic approaches in the various sectors are ongoing, with an initial focus on the urban and agricultural sectors, because NPPs are still not operational.
Gender	*Delivered.* Another Gender Specialist was hired, a Gender Working Group (GWG) was set up under the SG to strengthen focus on gender across the ARTF program. The GWG will require strong engagement from donors for momentum and results. A gender assessment of trends across key sectors was carried out and discussed with the GWG.
Tokyo Mutual Accountability Framework TMAF	*Delivered.* Linkages and synergies between ARTF financing and the TMAF explored, particularly under the Incentive Program (IP): the IP feeds into TMAF indicator on incentivized funds, and the IP is closely aligned with several aspects of the TMAF, including increase in revenue mobilization and governance.
Mapping of key roles and responsibilities under the ARTF	*Ongoing.* This mapping is a work in progress, to inform the transfer of responsibilities to Government. While transfer of core functions performed under the ARTF are important to inform a sustainable exit strategy for the ARTF, the Bank anticipates that this process will take several years to implement and will be realized subject to careful analysis of available capacity and fiduciary risk. MoF will take the lead on the mapping exercise.
Research and Development Facility	*Delivered:* A Research and Analysis Program (RAP) was set up, and two rounds of proposals were approved in October 2015 and February 2016. The research studies led by World Bank technical teams are ongoing.

Source: ARTF, Update on Delivery of the Reform Agenda, May 2016.

4.2 ARTF Staffing and Management

ARTF staffing levels: fairly constant, though composition has changed. Donors have questioned whether the Bank has sufficient number of staff to manage the ARTF well. Table 4.2 shows the number of Bank staff based in Kabul over the last six years. While the total number has remained fairly constant, with a slight decline of 10% over the period, the *composition* has changed. While there were 19 internationally recruited (professional) staff in 2011, this fell to 9 in 2016, though in 2017 this went up to 10 and will increase again when the new monitoring and reporting expert is in place. With respect to locally recruited staff, the total number has been the same, but the number – and thus the share – of staff at professional level has increased, from 25 to 34. If one looks at total number of professional staff – all international positions plus the analyst category among locally recruited – the number has remained almost constant, at around 40-45 professional staff.

Table 4.2: World Bank Staff based in Kabul, by Category, 2011-2016

Staff Categories	2011	2012	2013	2014	2015	2016
Internationally Recruited Staff – of which:	19	19	24	17	10	9
Director	1	0	1	1	1	1
Operations Manager, Lead Sector Specialists	4	5	5	6	4	3
Senior Specialists (often TTLs)	11	9	13	9	4	3
Specialists	3	5	5	1	1	2
Locally Recruited Staff – of which:	69	64	71	75	69	71
Analyst	25	21	30	33	33	34
Total Kabul-based Bank staff	*88*	*83*	*95*	*92*	*79*	*80*

Source: World Bank data, Kabul office, October 2017

Bank staffing policies: strong commitment to presence on the ground. The Bank has moved its country management team to Kabul, with both the Country Director and Operations Manager permanently based there, which is unique within the Bank when it comes to fragile or conflict affected countries. But the number of international technical staff in Kabul has fallen from 14 to 5 over the period. Many of these were relocated to Dubai, with other staff based in New Delhi and Islamabad. The number of Bank project staff based in Washington has therefore fallen. Bank management believes that since Dubai is so close, the actual "face time" Bank staff have with their ministry counterparts is almost the same as when they were based in Kabul. Donors and ministry staff disagree, as their experience is that the time visiting staff spend in-country is tightly scheduled, providing less flexibility and opportunity for tasks such as mentoring and general discussions that are imperative for addressing and clarifying problems.

National professional staff: better educated, more responsibilities. While more professional Afghan staff have been recruited, a number of these are also at more senior positions, as the labor market for qualified labor in Afghanistan matures. Several of the projects now have Afghan TTLs, such as in the health and education sectors. This means that the interaction with ministry counterparts is more efficient and effective since language and contextual knowledge are in place. However, while the increasing number of Afghan TTLs provide important benefits, some donors still experience the international staff TTL as having more of a decision-making role.

ARTF management: strong support from Washington. One of the early lessons from a review of all the Bank and UN-administered MDTFs established in conflict and fragile situations was that attention and support from senior management in the organization was key to the success of the MDTF. The ARTF has benefited from clear and consistent support from Bank-management in Washington throughout the lifetime of the Fund, not least of all because it is the largest and most visible and by many considered

to be the most successful MDTF. But it means that requests for support and solutions to practical problems encountered have been responded to, according to Bank staff on the ground[15].

ARTF staffing: sufficient? While the Country Director handles the Bank's policy discussions with national authorities, the Operations Manager has the ARTF as the largest funding source for the Bank's portfolio in the country. The ARTF manager is the only international staffer dedicated to the ARTF, and she is supported by one local staffer but with ability to call on other local staff for administrative matters, and project and PFM staff for issues related to projects and the RCW. Yet annual commitments have risen from an average of USD 600 million during the four-year period 2007-2010 (figure 3.1), to an average of around USD 900 million over the last six years. While the portfolio has perhaps been simplified somewhat with better grouping of projects around key sectors, the operating environment has clearly become much more challenging. Bank staff also point to management of donor relations as more time-intensive due to the faster rotation of embassy staff. ARTF staff spend a lot of time explaining the fund, explaining earlier decisions behind current practices, and in general bringing donor staff up to speed. Given that much of donor focus now is on portfolio results, the addition of an international Bank staffer to handle results reporting may represent the appropriate response.

4.3 Achieving Gender Objectives

Gender: an area of increasing importance. Donors have pushed to increase the ARTF focus on gender equality and gender mainstreaming, and the Bank has increased the number of gender indicators in ARTF projects, established the Gender Working Group (2012), and has increased the percentage of the projects that have Gender Focal Point from 66% to 70% from 2015 to 2016 (the target was 60% by 2020). Reports from the Supervisory Agent include gender information on infrastructure projects they are contracted to monitor. In 2016, 68% of the ARTF projects were reported to have fully collected required gender disaggregated data. As of June 2017, when the World Bank's new Gender Strategy[16] was implemented in Afghanistan, the Bank's Country Partnership Framework for Afghanistan recognizes and supports gender mainstreaming across the portfolio for the first time. However, donors requested a more active role for the Ministry of Women's Affairs, despite its political and capacity constraints, in issues of project design, and project review missions, and where it is now on the GWG list of invitees and participated for the first time in the GWG meeting in October 2017.

From "gender informed" to "gender tagged": tracking the results. Previously the Bank requirement was that projects ought to be gender informed, i.e. have a gender analysis. The new Gender Strategy, however, focuses on achieving results in four areas where the Bank believes it has comparative advantages: (i) improving human endowment gaps; (ii) removing constraints for more and better jobs; (iii) removing barriers to women's ownership and control of assets; (iv) enhancing women's voice and agency, and engaging men and boys. The strategy focuses on the links between **Analysis** (understanding gender in any given intervention); **Action** (designing and implementing activities that respond to elements found in the analysis); and **Results** (concrete indicators to measure reduction of identified gender gaps). When all three dimensions are included in the project, the Bank says that the project is "gender tagged". As of September 2017, 11 of the 21 ARTF projects were fully gender tagged (table 4.3). Furthermore, there is an emphasis on measurable results based on data and evidence of which gaps exist, and how projects can contribute to close them. The challenge, however, is to reach the

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[15] World Bank (2007), "Review of Post-Crisis Multi-Donor Trust Funds", http://documents.worldbank.org/curated/en/383271468326165706/pdf/aaa150ESW0P10100Box369243B00PUBLIC0.pdf

[16] http://documents.worldbank.org/curated/en/820851467992505410/pdf/102114-REVISED-PUBLIC-WBG-Gender-Strategy.pdf

desired results, since there is still considerable skepticism and even resistance due to culture and traditions inside a number of implementing ministries.

Figure 4.1: The linkages in the World Bank Gender Strategy
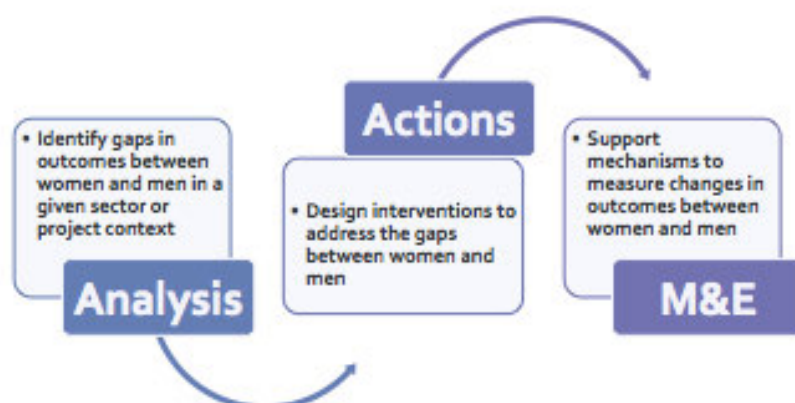
Source: World Bank

Box 4.1: Letter on the Gender Working Group

A joint letter from 12 donors to the ARTF in November 2017 made a series of suggestions regarding the GWG:

To ensure that the GWG is reporting to the SG as per its mandate: Updates from the GWG should be a standing item on the Strategy Group meeting agenda (AOB). In terms of sequencing, GWG meetings should take place before the SG meetings.

To ensure Government ownership: Actively ensure that the MoF, Ministry of Women's Affairs (MoWA) and the Women's Economic Empowerment (WEE) NPP unit within MoLSAMD attend the meetings.

To ensure a more strategic role for the GWG:

- Meetings should stimulate active discussion.

- The GWG should be the forum to discuss how gender should be included in the next Financing Strategy, and feed back into the Strategy Group and, subsequently, up to the Steering Committee.

- The GWG should be the forum to discuss possible gender related triggers of the Incentive Program.

- The GWG should be the forum to discuss how Investment Window projects will incorporate gender into indicators.

- If there will be no other forum, the GWG should be used as the donor coordination forum for the WEE.

Regular updates should be provided on:

- The implementation status of the WEE NPP (PPG and way forward)

- Investment projects in strategic phases of the project cycle, i.e. during the design phase, in connection to ISMs, mission/monitoring visits, and end-phase portfolio review processes, with the objective of seeking GWG advice on gender-related issues and jointly assessing achievement of expected gender-related results.

- Progress in terms of gender-tagging in the projects (design phase)

In addition to these, and to advance donors' understanding of how ARTF is working to mainstream gender we would like to request two detailed information sheets (comparable to those on RCW, corruption etc.) and briefings in the next GWG meeting about (i) how the global World Bank Gender Strategy is being operationalized in ARTF, and (ii) the methodology and process for gender-tagging in ARTF projects. Finally, we would encourage the World Bank to consider including the gender dimension in the quarterly/annual portfolio reviews.

Table 4.3: "Gender tagging" of ARTF projects, by the 3 process steps ("1/0" values)

Project	Analysis	Actions	M&E	Aggregate
Afghanistan: National Horticulture and Livestock Productivity	1	1	1	3
Afghanistan - Second Education Quality Improvement Program	1	1	1	3
Higher Education Development Project	1	1	1	3
Non-Formal Approach to Training Education and Jobs	1	1	1	3
System Enhancement for Health Action in Transition Project	1	1	1	3
Afghanistan Capacity Building for Results Facility (CBR)	1	1	1	3
AF Rural Enterprise Development Program	1	1	1	3
Afghanistan Rural Access Project	1	1	1	3
CASA-1000 Community Support Program (P149410)	1	1	1	3
National Solidarity Program III	1	1	1	3
AF Irrigation Restoration and Development Project	1	1	1	3
AF On-Farm Water Management (OFWM)	1	1	0	2
Afghanistan Agricultural Inputs Project (AAIP)	1	1	0	2
DABS Planning and Capacity Support	1	1	0	2
Naghlu Hydropower Rehabilitation Project	1	1	0	2
AF: ARTF-2nd Judicial Reform Project	1	1	0	2
Kabul Municipal Development Program	1	1	0	2
Public Financial Management Reform II	0	1	0	1
Kabul Urban Transport Efficiency Improvement Project	1	0	0	1
ARTF - Recurrent and Capital Costs	0	0	0	0
Afghanistan Technical Assistance Facility	0	0	0	0

Source: World Bank/Kabul

More systematic technical assistance. The Bank has set up a "Gender and Social Inclusion Platform", a Technical Assistance (TA) unit that has its own budget. It works along three pillars: (i) deepen the integration of gender and social inclusion into the programs through technical assistance and operational support; (ii) develop technical and analytical work that addresses some of the most deep-seated issues of exclusion that limit economic empowerment; and (iii) pilot and learn from innovative initiatives so that these can be scaled up. The team participates in regular Implementation Support Missions reviewing gender aspects, and informed that in 2016 members participated in such missions for 62% of the ARTF portfolio. In addition to these missions, the team informed that it has provided in-depth support to the large-scale projects in the education, health and agriculture sectors.

Box 4.2: EQUIP II and Contribution to Gender Equality

Throughout the lifespan of the Education Quality Improvement Program (EQUIP), one explicit goal has been to create equal access to high quality education for boys and girls. In an environment where traditional culture has preferenced boys' education, EQUIP has worked to recruit females into School Management *shuras* (parent-teacher councils), recruit and train female teachers, and facilitated physical access for girls in 68% of the schools (safe school road, fenced school, secure toilets). One source in one of the districts noted: *"The number of female students has increased to 350,000. This has occurred as a result of our public awareness programs with religious leaders and Imams, in coordination with the Council. We helped the girls who graduated from 12th grade whose economy was poor, providing them with AFN 3,500/ month for transportation for teachers' training, to proceed further education, for six months."*

The number of girls enrolling in schools has risen from 1.9 million in 2008 to 3.4 million in 2016 (target was 3.8 million), while the parallel numbers for boys went from 2.1 to 5.3 million (target was 5.2 million). EQUIP has trained and recruited more than 90,000 qualified teachers since 2008, of whom one third are female (against a target of 47%). There are many social factors that prevent girls from going to school. One male informant in another district said: *"When I motivate mothers to send their daughters to school, I say: If there are no women doctors, what will you do? And when they answer that then they will not go to hospital, I tell them send their daughter to school so*

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that tomorrow she can become a doctor". Although EQUIP did not reach all its targets regarding girl students and female teachers, it is important to recognize that without its gender sensitive approach, it is very likely that fewer girls had enrolled, fewer female teachers had been recruited and more female students would have dropped out.

ARTF is aligning with the NPP on Women's Economic Empowerment (WEE). While there is not a separate ARTF WEE-program, the Bank has mapped how the 21 ARTF projects are aligned with the six components of the WEE, and provided clear recommendations on actions to enhance alignment between the ARTF projects and the WEE, and a new WEE rural development program is in the ARTF pipeline for ARTF support.

Box 4.3: EQUIP II Research and Analysis to Meet the Gender Challenges

In a study undertaken by EQUIP II in 2015, it was found that women's participation in school management *shuras* is more limited than men's, and almost negligible in the boys' schools sampled, suggesting that women are not much heard concerning their children's education. The major recommendation to the Ministry of Education was that attempts to increase women's participation in school management *shuras* should consider the existing social framework of Afghan religious and cultural norms, by for instance allowing for female-only *shuras* with meetings held in a private home rather than the very public school setting.

In another study assigned by EQUIP to analyze the reasons for school drop-out, the research found that drop-out generally starts in the fourth grade, and increases for every grade for both girls and boys, but girls drop out at a higher rate than boys. The main reasons, in order of importance, were:

1. Poverty/opportunity for wage labor
2. Disinterest and illiteracy of parents
3. Lack/shortage of professional male and female teachers
4. Early marriage and traditions
5. Disinterest of students
6. Insecurity
7. Lack of school building
8. Distant location of school
9. Poor management of school´s administration
10. No food incentive facilities
11. Unemployment among educated people

The conclusions were that improved teacher training and management training for school managers is needed, and increased recruitment of qualified female teachers is urgent, especially in rural areas. For this, the MoE needs to facilitate transport, accommodation etc. Establishment of community classes is recommended in cases where the schools are too far away. There continues to be a high need for motivation of parents to send their children, especially girls, to school. In poor areas, providing meals keeps students, especially girls, in school longer.

Women's Participation in School Management Shuras: Obstacles and Opportunities for Women's Involvement in Government Schools in Kabul City, (EQUIP 2015); Research study on school dropout within the public education system in Afghanistan (OSDR 2015).

4.4 Achieving Conflict Sensitivity Objectives

Established to strengthen PFM and national service delivery in a post conflict situation, ARTF remains relevant. The ARTF was established at a point in time when the Taliban was assumed to have been eliminated as a military and a political force. Yet many classic conflicts across Afghan society remained to be addressed, particularly given the highly centralized political and public administration structure that was envisaged. The ARTF was meant to contribute to building bridges and bringing those parts of the Afghan population that historically had few or weak links to the center, into larger society by financing basic social services and public infrastructure that would bring the benefits of peace and a more dynamic economy also to more marginal areas. The National Solidarity Program, NSP, as originally designed, was largely a rural community mobilization program, set up to inform and incentivize the population about upcoming elections, and establish mechanisms that would allow them to decide and manage resources made available by central Government. The *distributional* dimension

of ARTF expenditures in terms of reaching all social groups and in particular ensure inclusion of groups that historically felt little or no connection to Kabul, was thus important.

ARTF faces an increasingly conflictual reality: service delivery is suffering. The conflict is seen to be increasing in intensity and geographical coverage. At the same time, boundaries are fluid and changing, so which areas are under Government control or not, is not static. But even in areas that are not under total GIRoA control, public services are still often provided,[17] though the situation often requires an agreement or understanding with local non-state actors[18]. One question asked is if this is conflict mitigating, providing national services and visibility also in conflict zones, or instead cements and institutionalizes the conflict by providing armed opposition legitimacy and resources that otherwise would not be available[19]. The question of reliability of service delivery and quality assurance of ARTF funds in these areas also needs to be addressed (see box 4.4). Finally, since the operating environment has become so different from what the World Bank normally faces, there are questions if the Bank's procedures are the most appropriate when it comes to issues like quality assuring results on the ground.

Mobilizing communities for a common good: increasing resilience to conflict. For a development actor, being *conflict sensitive* means "*understanding the two-way interaction between intervention and context and seeking to minimize negative impacts (Do No Harm) and maximize positive impacts on conflict dynamics.*" Development leads to change in people's direct access to, and relative distribution of, information, resources and decision-making processes. As power balances change, conflict may increase or arise. Since ARTF was set up in a time when Afghanistan was considered a post-conflict country, this Review has not found evidence that systematic conflict sensitive programming has found place in the design of the ARTF portfolio. Afghanistan's development flagship for many years, NSP, where ARTF was the most important funding source, was set up in a way to mobilize local communities to organize, identify common needs and solve common issues and find common solutions. Social mobilization and local community organizing is the basis of several other ARTF projects as well (box 4.4). Conflict sensitivity is to be included as a cross-cutting area in the new Partnership Framework and Financing Program.

ARTF: both conflict sensitive, and securing service delivery for all. Donors to the ARTF note that the two objectives of state-building and poverty reduction are core, but sometimes weighted differently. For some, *poverty reduction and service delivery to all* are key, so working in contested areas is important. Some donors argue that the ARTF for this reason should in fact become an active instrument for peace-building. In practice, ministries have developed different approaches to reaching as large a share of the country as possible. The MoE provides direct services through its civil service teachers, while the MoPH through its SEHAT project acts via local actors like NGOs, CSOs and community *shuras*. While ARTF funds are on-budget, projects are implemented by a wide range of actors that partner with national authorities while also working with local non-state actors, to provide the broadest coverage of services possible. This flexibility is confirmed by health and education workers in provinces and districts visited, who noted different local experiences as to how services are delivered. The ARTF Supervisory Agent

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[17] The Central Statistics Organization, in the introduction to its mid-term report on the Afghanistan Living Conditions Survey 2016-2017, which covers the entire country, notes that only 18% of selected areas could not be visited due to security reasons (CSO 2017, May, p. 4).

[18] According to some interviews, the Taliban seems to focus more on building governance structures in some of the areas it controls, and in some areas allow public officials like teachers and health workers to continue working. The actual services are more problematic to verify: are students taught the national curriculum, or is the school largely a *madrasa* but publicly funded?

[19] One donor has pointed to decisions in its legislature that ban its resources going into such contested areas, and which therefore poses limitations to how flexible the donor can be regarding ARTF financing.

also points out that Afghanistan has always been a high-risk country, and the issue is not simply Taliban versus non-Taliban areas – the security challenges on the ground are more complex.

Box 4.4: Social Awareness and Mobilization for Equal Access to Education for All

Under EQUIP, considerable attention has been paid to social mobilization, to engage local communities to establish and run local parent-teacher councils, the School Management *shuras* (SMS). The SMS' role is to create an environment where children from all backgrounds have equal access to quality education in schools, and help mobilize families for student enrolment. While the objective is for the schools to run smoothly, these *shuras* also have a community building effect. By the end of 2016, there were nearly 15,000 SMS established. An evaluation carried out in 2015 for MoE found that 53% were active *shuras* that managed their schools effectively, while 33% were semi-active and 14% were inactive.

EQUIP has delivered social guidance, capacity development and training, identification of issues, management of conflicts, backstopping to provincial teams, and exclusive action plans. One informant claimed that *"the approach is very good and so far, we have had remarkable achievements through the support of our religious scholars, tribal elders, teachers, elite's students and influential people in current councils which are made by the EQUIP program and is a plus point. The approach can be even stronger if the media are involved."*

The SMS also mobilize for local contributions towards the school. The community provides land and materials, donates equipment and money, and participates in voluntary labor for construction and repairs.

Another role of the SMS is to find solutions to local conflicts between students, teachers or students and teachers. Lack of female SMS is a limitation for equal and equitable educational opportunities both for girls and boys, however. Informants from the districts claim that social mobilization is far more effective when carried out by local people than people from MoE in Kabul.

Service delivery in conflict situations is possible, but under which service delivery modalities? The Bank studies referred to in section 3.1 (footnotes 3 and 4, text box 3.1) show how the political economy, political settlement, forms of violence, elite bargaining and modes of project delivery matter for service delivery in violent contexts. The research calls for a shift from the "good governance" paradigm, which is found not to be useful in violent contexts where *"informal relationships, rent-sharing, far-from-perfect transparency or accountability, and deep politicization of service delivery"* are decisive in whether or not service delivery will be permitted and successful. For service delivery to function in violence-affected contexts, it must be adapted to the local context in each site, as bargaining must relate to local opportunities. In particular, in situations where the local elite has control and there is something to win by facilitating and protecting local service delivery, service delivery is more likely to be successful than in areas where the local elite is weak relative to external actors (Taliban or state security actors without strong local ties or allegiances). Furthermore, where there are strong linkages to regional or national level, such as to a governor, a Member of Parliament or central politicians, bargaining for successful service delivery tends to be easier. As noted in text box 4.5, rent sharing arrangements run all along the delivery chains, and the degree of "legitimacy" of these arrangements vary, as perceived by different stakeholder groups and with the changes in power relations over time. The understanding of what constitutes corruption needs to be specific to context, while at the same time avoiding accepting rent seeking activities that clearly are corrupt. The challenge is to influence levels and forms of rent extraction, to reduce these costs and secure an increasing share to the intended beneficiaries and activities, and where local community bodies are seen as important in this regard.

Box 4.5: Rent Sharing in Health and Education Sectors

During interviews with staff in health and education at ministry, province and district levels, it became clear that a considerable amount of rent sharing is taking place along the delivery chains within these sectors (see box 9.1 for more on some of the terms used in this regard):

- Parliamentarians lobby hard for new schools and health facilities to be built in their areas/districts, where a key factor is that Afghanistan for the time being does not have a national strategy for infrastructure development that shows population distribution as against existing infrastructure provision.

- The awarding of construction contracts is often influenced by politicians.

- Local leaders establish construction firms that are awarded project-funded contracts.

- External contractors must pay the governor/ local elites/ warlords to enter the area and carry out construction – and this holds true whether in Government or Taliban controlled areas.

- The budget allocates funds for school and health facility maintenance that is distributed to the provinces – governors, heads of education and health departments, *moustofiats*[20] – but only limited funds actually reach the intended institutions (claim by several informants).

- Teachers are often nominated by the local warlord (nepotism), or candidates pay the district or provincial director to be hired.

- While 60% of the teachers get their salaries deposited to their accounts, in rural areas salaries are given to local bonded "pay-masters" who visit the schools, pay the salaries and get the signatures. Headmasters often demand a percentage of the salary.

- For those teachers with own accounts, they must often provide the payments afterwards to keep their jobs.

- Teachers in turn pressure parents to pay for giving their children better grades, allowing them to graduate, provide access to scholarships etc.

4.5 Achieving Poverty Reduction Objectives

Poverty is increasing as economic growth and aid are declining. Section 3.2 noted the recent trend of an increase in average poverty in Afghanistan, where the 2016 ARTF Scorecard reports that "*roughly 9.3 million Afghans face chronic or transitory food insecurity, with about 3.4 million severely food insecure*" (ARTF Scorecard 2016, draft, p. 17). Economic growth is now below population growth, with insufficient job creation to absorb the increasingly well-educated youth cohorts that are entering the labor market each year. Large parts of the economy are outside Government control – partly because they are in non-government controlled areas, partly because they are not integrated into the formal economy, or are controlled by local elites who are not relinquishing the control – and revenues – from activities in their areas. The systemic corruption in Afghanistan further undermines incentives for long-term investment and innovation, and where the need for local influence and protection leads to fragmentation of national markets. In this context, it is difficult to develop and execute an economic strategy and put in place policies that are implemented pan-territorially, much less actually enforced. Furthermore, in a fairly volatile political context, there is a need for constant political bargaining, which means the distribution of scarce investment resources easily becomes subject to extreme horse-trading resulting in various forms for rent-sharing (see box 4.5).

The ARTF contribution to poverty reduction: supporting the Government's long-term investments in people and communities. The ARTF portfolio is still largely a function of decisions taken during a period of less conflict. The Government announced its new strategy with the ANPDF built on the Self-

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[20] The MoF serves as the budget office to the President, GIRoA payment service, and the treasury. Funds flow down to provinces via the local MoF branch, known as the *moustofiat.* The *moustofiats* maintain the funding authority, with an account for each government service. When those services need funds, they have to access these through the local *moustofiat.*

Reliance paper, but the operationalization in the form of the NPPs is still wanting, as noted. The Bank's Analytical and Advisory Assistance (AAA) studies provide insight into the macro-economy and the barriers to socio-economic growth and development – but at the end of the day the policy decisions remain with the Government. What is clear, however, is that the conflict extracts terrible costs – at the national, local, household and firm levels, and in particular creates such high uncertainty and transaction costs that it becomes difficult for households and companies to have a long-term perspective for their decisions. It is therefore not difficult to understand why Afghanistan, already a very poor society, finds itself in a poverty-trap from which it is extremely difficult to escape. As long as the conflict continues at the current levels of intensity, the authorities are forced to spend a disproportionate share of national resources on security, while at the same time humanitarian assistance needs are growing. What is left for pro-active poverty reduction in terms of practical policies and actual space for action is thus constrained. A fundamental choice made by Government is to continue nation-wide investment in human capital in the form of better health and education, coupled with more resources managed locally, primarily through Citizens' Charter. These are foundational legs for Afghanistan's long-term development – but how fast this will generate identifiable reduction in poverty levels is probably first and foremost a function of the conflict.

Box 4.6: Development Indicators of Poverty Reducing Services as of 2016

- Access to electricity: 6.2 million people.
- Access to short-term employment: 54.6 million labor days created under NSP projects.
- Access to water and sanitation services: 20.3 million beneficiaries.
- Access to roads: 14.1 million beneficiaries.
- Area provided with irrigation and drainage service (NSP+IRDP): 502,824 ha
- Recruited and trained teachers: 90.000 (since 2008) (33.000 female)
- People with access to agricultural and/or irrigation services (NSP+NHLP): 8 million (48% female)
- New Orchards (with at least 65% survival rate): 12,595 ha
- People participating in saving groups: 86,888 (43% women)
- Number of sub-project proposals financed NSP: 88,586 reaching 32.7 million people (48% female)
- Number of people with access to improved services as a result of completed NSP sub-projects: 32.7 million (48% female)
- Number of paid labor days generated by sub-project implementation: 62.2 million
- People participating in Saving Groups and Enterprise Groups: 86,888 (43% are women)
- Total rural roads rehabilitated and maintained (NSP+ARAP): 42,609 km
- Increase in the number of people with new/rehabilitated access to energy grid (NSP+Energy): 6.3 million
- Number of health consultations per person per year: 2,1 (increased from 1,6 in 2008)
- Proportion of health facilities staffed with at least one female health worker: 86% (increase from 74% in 2012)

4.6 Findings and Conclusions

Most recommendations from the 2012 review implemented – remaining issues are addressed later in this review. Important steps have been taken to strengthen national ownership, which is a main issue also for this review. But while the proposed Research and Analysis Program (RAP) was established, it has primarily been used by the Bank's project managers (Task Team Leaders, TTLs) rather than supporting Afghan knowledge centers in building their expertise and ability to contribute to the national conversation, as was intended.

Kabul-based Bank staff **levels** *fairly constant but* **composition** *changing.* Over the last 6 years, Bank *management* has remained constant, international *technical* staff has fallen from 14 to 5 while Afghan technical staff has grown from 25 to 34, several being project TTLs. Given security concerns,

international staff in Kabul will remain limited, but a program leader for human development and governance and one on monitoring and reporting have joined, and third-party monitoring is increasing.

The Bank's Gender Strategy has increased resources and attention to gender challenges in Afghanistan; continued focus, operationalization and monitoring is required to maintain progress and avoid back-sliding. Especially in the social sectors, Afghanistan can point to important gains that are in part due to ARTF support. The tools put in place to track progress are helpful, though the Bank and GIRoA needs to maintain and increase their efforts to address the barriers to improve gender equality.

Conflict sensitivity in part requires acceptance of harsh realities on the ground. Local elites in contested areas have shown they can accommodate various concerns, including continued central government service provision, but typically based on local bargaining and rent sharing, posing issues regarding ethical boundaries versus realistic choices, for ARTF partners.

Poverty reduction and economic growth remain core yet distant goals. ARTF projects support GIRoA's investments in human resources and local development as a basis for broad-based growth in line with the SDGs, but investments in business climate and infrastructure cannot overcome a stagnant economy, in part caused by conflict, in part due to governance issues.

5 ARTF as a Financing Instrument

The objective for this review is to assess the ARTF's "*fit for purpose*" as a funding mechanism for supporting the Government's development goals. This includes looking at the role of the ARTF Financing Strategy; how a more sectoral / programmatic approach can be applied; the balance between the Investment and Recurrent Cost Windows; flexibility in reallocating funds between projects, and the role of tranching of funding for investment projects; how donor pledges and preferencing impact financing flexibility; and how more aid can be brought on-budget through the ARTF.

5.1 The ARTF Financing Strategy

The ARTF Financing Strategy (FS): structured to evolve with changing Government needs. The FS is a rolling three-year planning tool that outlines the priorities that the ARTF is to finance, which is updated annually to correspond with new Government priorities. The FS is a strategic instrument supported by all stakeholders, as it presents a consensus view on how the ARTF in funding terms will support GIRoA priorities over the coming period. The 2012-2014 Strategy contained financing of USD 3.6 billion, of which IW projects were to receive nearly 70%. The 2015-2017 strategy presented financing of about USD 2.7 billion, with particular attention to align funding to emerging Government priorities articulated in the 2014 *Realizing Self Reliance Reform* paper. This included a move towards a programmatic approach as well as a strengthening of Government ownership. To allow the new Government time to develop its strategy and core development priorities for the coming years, the FS provided certainty on the pipeline for 2015 while keeping the funding priorities for the 2016 and 2017 more flexible. The draft FS for 2018-2020 again emphasized the need for aligning the strategy to an operationalized ANPDF, organized around a revised set of *National Priority Programs,* NPPs. Flexibility of the ARTF is to be assured by the Fund adopting a more programmatic approach around key results in select NPPs. As ARTF funding is to become more linked to GIRoA priorities, however, the need for clarity on Government priorities and details of the justification behind funding requests is increasing. In late 2017, ARTF stakeholders decided to develop a broader three-year strategy, the ARTF *Partnership Framework and Financing Program,* PFFP, which will replace the former FS.

5.2 ARTF's Strategic Alignment with National Priorities

The ARTF: fully aligned with Afghanistan national strategies, but alignment with NPPs posing issues. Given the fact that the ARTF is fully on-budget means that by default it is formally in line with national policies. Regarding project funding through the IW, the broad nature of the *Afghanistan National Development Strategy 2008-2013* (ANDS) and its 22 *NPPs* meant all ARTF projects could be said to be aligned. The new direction in the Government's 2014 *Realizing Self Reliance* towards programmatic approaches and strengthened Government ownership was followed up in its 2016 ANPDF, which reduced the number of NPPs to 11. In response, the ARTF committed to at least 80% alignment with the NPPs. The challenge has been the uneven state of the NPPs, since ARTF donors want better defined priorities, costed interventions, clear performance criteria, and time-lines with budgets in order to agree to funding allocations. So far, this is only the case with the Government's *Citizens' Charter.* The RCW, on the other hand, is fully aligned to Government priorities, as it is incentive-based budget support that is structured according to the agreed FS, based on a policy and reform agenda defined by GIRoA.

ARTF aligned with GIRoA policies but not necessarily with operational priorities in the budget. GIRoA is trying to create "fiscal space" on its budget, to fund new initiatives and re-orient resources to higher priority areas. Since almost the entire budget is tied to current priorities – first and foremost wages and salaries for civil servants and the security sector – it would like to see more "free money" from the donor financing that goes through the ARTF, besides the IP. The way the ARTF operates today, however, the Government experiences this to be difficult (see section 5.6).

5.3 Increasing On-budget Funding and ARTF

Government view: better implementation of development projects requires more on-budget funding. To provide GIRoA greater ownership and a more effective allocation of resources based on needs and priorities, the 2008-2013 ANDS proposed an increase in core budget support. To fulfill this goal, during the London Conference on Afghanistan in 2010, donors committed to providing at least 50% of their aid through the national budget by 2012, including through MDTFs such as the ARTF. In the joint communiqué from the 2016 Brussels Conference, participants reaffirmed their commitment to explore different forms of flexible on-budget assistance. This included expanding programs such as the ARTF and related incentive or reimbursement schemes. The availability of the ARTF's *Ad Hoc Payment* facility was noted, as this pass-through mechanism allows donors to get funding on-budget under normal ARTF fiduciary rules and standards. So far, the US has used this mechanism for its on-budget incentive-payment *New Development Partnership* (NDP) financing[21] while the EU provides its budget support through its *State-building Contract* (SBC) through a bilateral agreement, thus outside the ARTF[22].

Increasing on-budget funding: donors expect stronger GIRoA commitments and actions, and timely results reporting from the Bank. While donors support increased on-budget modality, there has been little movement in transferring off-budget bilateral funds to on-budget financing[23]. Pre-conditions for this is that GIRoA improves its Public Financial Management (PFM) system; improves its capacity to deliver services across the country; makes the NPPs more operational and monitorable, as noted above; and that the ARTF results reporting improves so that accountability for funds is clearer (see chapter 6).

5.4 ARTF Funding Modalities: Recurrent vs. Investment Windows

ARTF's Recurrent Cost Window: continues to provide significant funding for the operating budget. The RCW was the most important component of the ARTF when it was set up in 2002. It was to fund payroll costs for Afghan civil servants, particularly in the social sectors, as well as some expenditures for operations and maintenance (O&M). The RCW is in fact a reimbursement mechanism, where GIRoA presents expenditures incurred for cost items agreed to be eligible under the arrangement. These are verified by the Monitoring Agent contracted for the purpose, and then reimbursed. Over time, the RCW has evolved into three funding modalities:

- **Baseline Recurrent Cost Financing,** which is the original budget support for eligible staff costs and O&M, without any further conditions attached, and reimbursed on a quarterly basis. In SY 1382 this was around USD 145 million for wages plus USD 51 mill in O&M, but rose to USD 277 million for wages plus USD 33 million for O&M in SY 1387. It was agreed to decrease this funding over time as the Government's own revenues were to increase and cover these core public services. The Baseline funding was also only to cover wages while O&M was moved to the Incentive Program (see below). In SY 1391, wages were therefore brought down to USD 225 million, over the last couple of years further down to USD 125 million, and will cease completely as of 2017.

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[21]   https://www.usaid.gov/news-information/press-releases/mar-24-2015-new-development-partnership-afghanistan

[22] See http://europa.eu/rapid/press-release_IP-16-3269_en htm

[23] The US' NDP and the EU's State-building Contract represented fresh funding and not a shifting of bilateral off-budget support to on-budget funding. According to Canadian officials however, Canada has committed to increase on-budget funding and this is evidenced through the share of on-budget funding for 2018-2020 showing a steady increase each year, and offset by a reduction going to off-budget programming.

- **The Incentive Program (IP)** was agreed to by the Bank, GIRoA and the donors in December 2008. It is to support GIRoA-led reforms and progress toward achieving fiscal sustainability. This is done by supporting increased revenue mobilization and strengthening expenditure management and efficiency. The program provides funding to the Government if it meets pre-defined benchmarks, thus putting conditionality on the funding. It does so through a (i) Revenue Matching Grant, (ii) a Structural Reform Scheme, and (iii) the O&M Facility. As baseline funding has decreased, IP funding has gone up, from an initial USD 74 million in SY 1392 to an estimated USD 160 million in SY 1395, and where the O&M facility has hovered around USD 33 million. An IP Working Group was established to track and report on implementation. While the RCW was meant to decrease over time, the IP has grown, providing conditional budget support, so while baseline financing is to cease, the IP plus O&M continue to provide about USD 400 million a year to the budget.

- **Ad Hoc Payments (AHP)** are bilateral contributions channeled through the ARTF (see section 5.3). The ARTF administrator does not necessarily know the conditions for the release of the funds, but AHP contributions are subject to the same fiduciary controls and monitoring arrangements as the other funds in the RCW.

Addressing Government concerns: Investment Window increasingly adopting sectoral/ programmatic approach. The ARTF Financing Strategy aims to channel more funds to larger programs that make up the Government's NPPs, particularly in the fields of agriculture, rural development, human resources development, infrastructure, and public-sector capacity/governance projects. The human development sector is the ARTF's funding for health and education, with programs such as the System Enhancement for Health Action in Transition (SEHAT) and Education Quality Improvement Program (EQUIP II). There is broad agreement that the ARTF should move towards such larger sector programs, but this is dependent on better programming foundations (operational NPPs) and improved management and quality assurance (better PFM, significant reduction in corruption, improved results reporting).

Recurrent Cost and Investment Windows split about 50/50, and likely to remain so. In the 2012-2014 FS, ARTF resources were increasingly devoted to investments rather than to recurrent costs, with an ambition to have 70% of funding for projects. However, with the budget support levels now intended to remain around USD 400 mill/year and some decrease in donor funding, the draft FS 2018-2020 foresees probably more or less an even split between the two windows, in line with GIRoA requests.

5.5 Adequacy and Appropriateness of ARTF Instruments

Moving to sectoral/ programmatic approach: more flexible and effective funding. The ANPDF stresses the Government's wish to improve the effectiveness of donor funding by adopting a programmatic approach around prioritized NPPs. Each NPP is to have an investment pipeline aligned to Outcomes proposed by the Cabinet and in line with available resources. As part of the annual budget process, a detailed sectoral vision for each NPP, along with a ranked set of interventions, quantified outputs and a reviewed budget, would be included in investment proposals. This approach was to provide the ARTF and government additional flexibility to restructure poorly performing projects or reallocate funds within the broader sector without having to go through an extensive approval procedure.

ARTF partners support the approach, await operationalization. While the donors and the Bank support the programmatic/sectoral approach, as for example reflected in the 2015-2017 FS, they see three challenges to fully adopting a sectoral or programmatic approach:

- The approach has not been clearly articulated by Government. There is uncertainty as to whether this entails contributing funding to the full NPP, as in the Agriculture sector with a sector NPP, or if the approach is geared towards sectors like health and education that are part of broader service delivery NPPs, such as the Citizens' Charter.

- The NPPs and the ANPDF are not yet fully designed to the standards required for Bank-approved funding, do not contain results frameworks that allow for monitoring progress, are not fully costed and with implementation schedules, so it is difficult to see what is to be funded.

- The current funding structure will need to be redesigned to accommodate this sector-wide approach, to ensure that the restrictions on reallocation of funds between projects that are in place now, will not hinder more flexible reallocations within such a sector wide approach.

5.6 ARTF Flexibility: Reallocating Resources and Tranching

Reallocating project resources: flexibility and rigidity. The ARTF MC is responsible for reviewing and approving funding allocations, including re-allocation of funds from one activity to another. Because the MC is based in Kabul, it is easy to call meetings to review cases and decide. Furthermore, since all ARTF financing is donor funds, the ability to shift from one project to another is simple as long as the parties to the original agreement concur. Problems arise, however, if there is a change to the project's development objectives, the results framework, or the safeguards, because then the revision must go through the Bank's internal procedures, requiring approval by the technical area manager ("practice manager") of the TTL. Once that is done, the change can be approved by the Vice President for the region – it does not go to the Board, as an IDA funded activity would. If none of the principle elements of the project are affected by the revision – it is considered a "level 2 revision" in the Bank system – the Country Director can on behalf of the Bank approve this, and thus take it to the MC for approval. Reallocation of funds has been relatively easier in larger projects (programmatic approach like SEHAT) compared to smaller projects. This is mainly because moving funds from one component of a project/program to another does not have a big impact on the development objective of the project, and therefore relatively easy to accomplish.

The Bank's view: ARTF is flexible but requires MoF request, and donor preferencing may limit flexibility. The Bank only needs a written request from the MoF, which on behalf of GIRoA can request a closing down, reduction, or re-allocation from one project to another, and this request does not require an analysis or justification – it simply needs to convey a Government decision. The MoF therefore has the responsibility to discuss and clear such a request with the relevant line ministry/ies. This normally means shifting funds from one ministry to another, which may run into opposition by ministries losing project funding, so a main stumbling block to greater re-allocation flexibility is getting the agreement within Government. But a complicating factor is if the revision affects a project with donor preferences, since then the relevant donor/s will need to be consulted, which adds an additional step to the process[24].

GIRoA: Political considerations limit ability to request project changes, though main rigidity is in design and planning of projects, and procedural delays. For Afghan officials, a key source of inflexibility is in the planning and design of the projects. This process takes 6-12 months during which time line ministries work with TTLs to design a project to the Bank's template and requirements. Once projects are approved, there are procedural rigidities regarding TTLs providing *No Objection Letters* (NOLs) regarding procurement and contracting of staff, and where practice varies from one activity to another (spending ceilings under which projects can go ahead without NOLs). In addition, while it is conceded that the politics of re-allocating funds may prevent the Government from requesting budget shifts, once such requests are made, officials claim that the approval time can be considerable. Additionally, for

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[24] Japan is not able to accept a re-allocation from activities it has preferenced because the financing is based on specified objectives, so if a project is reduced in size or closed down, Japanese fiscal rules require that remaining funds be returned. While the EU *can* change, this involves renegotiation with all its member states, which can be a cumbersome process, while Canada's preferred funding is expected to remain with the intended project. If not, it should remain in the sector following consultation with Canada.

GIRoA, the overall process – from design, approval to implementation and revision – is cumbersome, with a lot of World Bank voice in final results and decisions, which causes considerable frustration.

Donors: Financial and procedural flexibility can be improved with better communication and more donor involvement in the decision-making process. While donors generally agree that poorly performing projects should be restructured or cancelled, they have no voice in this since they are not represented on the MC. This is seen as particularly problematic if decisions involve projects for which one or more donors have provided preferred funding, and where budget re-allocations therefore may create problems within their organizations or legislative allocations (see footnote 25).

Tranching of funds: improves cash management but does not address the "lock-in" of project budgets. According to Bank procedures, projects can only be approved if funds for the entire project are secured. As a matter of funds management, there must therefore be donor commitments that can guarantee the financing of the project, and these are then "locked" in a virtual "parent account". Once the project begins implementation, funds on large-budget projects are released in tranches into "child accounts". The idea is that while a project and its "parent account" can be approved against *commitments*, the tranches released into "child accounts" helps manage the *cash flow*, since only when the Bank has funds available can it release into "child accounts". While this is meant to provide some flexibility, the slow implementation of some projects in Afghanistan means that some of these "child accounts" continue to carry large sums of unused funds through the lifetime of the project. Both GIRoA and donors see this as inefficient use of development funds that could be more effectively applied in the current fiscal cycle.

Box 5.1: Portfolio Reviews: An Underutilized Resource

The ARTF provides the overwhelming share of the financing for the Bank's country program in Afghanistan. The management of the Afghanistan portfolio is largely delegated to the field. Yet portfolio reviews are not used much as a means of aligning Bank financing with government priorities. An annual portfolio review as a lead-in to the Government's own budget process would be helpful in several ways:

- It will provide the MoF a structured view of the portfolio, identifying poor performance and thus ideas for where budget allocations can be reduced.

- Doing this in the context of a larger MoF budget process rather than on an individual project basis makes the politics of restructuring ARTF projects easier, as any budget cuts in one project and project increases on another are simply one more component of a larger GIRoA budget (bargaining) process.

- Such reviews should also be when future phases of MPA programs come up for renewal, so their funding is part of the larger financing discussions.

This would allow for a more strategic dialogue with the Bank and ARTF donors around the larger picture of ARTF project financing, probably also strengthening the larger budget and flexibility discussions between the parties: project revisions are seen in the context of the priorities the Cabinet has agreed during its own budget process.

Multiphase Programming Approach (MPA): addressing rigidities in the Bank. In July 2017, the Bank approved so-called MPA, which allows the Bank and its partners to "*structure a long, large or complex engagement as a set of smaller linked operations (or phases), under one Program*". The idea is that the overall program – such as Citizens' Charter – can be approved for the full implementation period foreseen and with a budget for the entire program, but implementation is split into a series of phases, where the financial commitment is only made for the phase under implementation. Only the first phase requires that funding is actually available, while subsequent phases and their funding will in part be dependent on implementation success, in part on available funding, which cannot be guaranteed up-front[25]. If the program is running well in the initial phase, there is no need to get formal approval for design or budget

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[25] See http://documents.worldbank.org/curated/en/203081501525641125/pdf/MPA-07192017.pdf

for the subsequent phases – this will have been granted in principle for the entire program. The MPA is to provide more flexible design, implementation, and performance, as follow-on phases will be adjusted based on the lessons learned and concrete knowledge from the early phase implementation. Funding for the subsequent phases can then be scaled up or down, depending on performance.

Making the ARTF more flexible: combining MPA with a quasi-incentive program. With the adoption of MPA as formal Bank policy, the ARTF may consider new models for project funding for its large-scale programs in health (SEHAT), education (EQUIP, EQRA), community development (Citizens' Charter). Having the various MPA projects reviewed at the same time in a structured manner will provide the MoF and the ARTF the possibility of adjusting funding levels in part in response to GIRoA priorities, but also based on relative performance, providing incentives for the ministries to improve implementation, quality assurance and credible reporting in order to compete for future funding.

Box 5.2: Merging ARTF Project and Budget Funding Management, Strengthening Alignment

Annual portfolio reviews combined with budget support assessments aligned with the MoF budget process may allow for a more coherent and comprehensive dialogue regarding ARTF support, providing the Government an overall picture of available funding for what purposes (projects) or against which reform criteria (the Incentive Program). It also means that claw-backs on particular project budgets, which for some projects may be quite small, together may represent some of the "fiscal space" that the MoF wants in order to address political priorities set by the Presidency and Cabinet. The combination of Multiphase Programming Approach, annual portfolio reviews, annual reviews of the Financing Strategy with focus on the Incentive Program, preferably also including Ad Hoc Payments, taking place at the appropriate time for Afghanistan's own budget cycle, may provide better foundations for a programmatic approach that provides closer alignment and more flexible funding for GIRoA's priorities and programming, thus enabling a stronger Government voice in priority setting, without lessening the Bank's fiduciary standards or controls.

This flexibility should contribute to more realistic annual budgeting, since MoF will have an incentive to insist on critical assessments of each project's up-coming activity schedule, looking for savings that can be reallocated to other pressing priorities, thus improving annual implementation and disbursement rates.

5.7 Donor Flexibility: Pledging and Preferencing

Donor financing last three years: pledges steady but paid-in contributions fluctuated. At the Brussels Conference in October 2016, international partners reaffirmed their commitment to Afghanistan's development priorities. While *pledges* have remained fairly constant at just above USD 1 billion/year, the percentage *paid in* has changed considerably, dropping from around 95% of the pledged amount in 2014 to around 65% the two subsequent years (see also figure 3.1). This affects both the ability of the ARTF to provide support to the government, but also makes planning/ budgeting for the authorities more challenging. One source for the discrepancy between pledges and paid in amounts is due to fluctuations in currency exchange rates, since pledges are recorded in USD at the time of the pledge, but paid-in contributions of course are recorded at the actual exchange rate at that time. This has in fact had important impact on several donors' recorded contributions, though emerging priorities (Syria conflict), general donor fatigue, and discussions of bilateral versus multilateral funding have also been important factors.

Table 5.1: ARTF funding levels, preferencing and actual contributions, 2014-2016

Fiscal Year	Pledged (USD million)	Paid-in (USD million)	Paid in as % of pledged	Preferenced, percentage
2014	1 080.0	1 027.0	95.1%	54%
2015	1 006.0	651.5	64.8%	42%
2016	1 380.0	917.9	66.5%	49%

Preferencing restricts ARTF's flexibility but is important for some donors. The policy of keeping preferencing to under 50% of total funds provided has been important for maintaining the flexibility that the Bank and the government believe ensures a smooth implementation of the Financing Strategy. However, some donors mobilize funding for the ARTF from specific budget lines that have defined objectives, such as support to education or agriculture, or the government has a policy of supporting particular issues or groups as justification for the funding to Afghanistan. Under these circumstances, being able to preference the funding in line with such political priorities and budget lines is critical to be able to provide funding through the ARTF, though the degree to which such preferencing is rigid varies (see footnote 25). Preferencing has in practice not been much of a concern, though preferencing as a whole is reaching levels where it might become a constraint. Most of the preferenced funding over the last three years has been to the National Horticulture and Livestock Project, the National Solidarity Program (NSP), Health (SEHAT), and Education (EQUIP II). However, given the changing situation on the ground, there may be other considerations that some donors may bring to the table, such as geographic preferencing, use or blocking of certain implementation partners, control and oversight conditions for release of funds, etc. The ARTF administrator faces the task of ensuring that reasonable concerns are addressed while maintaining the integrity and flexibility of the fund. While some preferencing may not be possible to address in terms of "ring-fencing" certain funding, part of the issue may be the granularity of reporting: the ARTF may have to ask the authorities to provide more precise information on actual disbursement of funds by target group, by zone/region, to allow donors to document compliance with own priorities, something the MoF has noted should not be a problem.

5.8 Findings and Conclusions

ARTF includes features that provide the bases for financial flexibility. The upcoming Partnership Framework and Financing Program (PFFP) allows the parties to discuss how Recurrent Cost Window (RCW) and Investment window (IW) funding can align better with GIRoA priorities. The RCW has evolved from refunding eligible recurrent expenditures to introducing an incentives-based mechanism for support to reforms in key public financial management (PFM) areas. The *Ad Hoc Payments* facility increases possibilities for on-budget funding, but these pass-through payments have less transparent conditions than ARTF disbursements. The IW is directing more funds to sector interventions, and is poised to support NPPs once the Government provides operational and monitorable plans.

The ARTF: A Bank mechanism. The ARTF, as a Bank managed mechanism, applies Bank procedures, where time required for planning and management, including *No Objection letters,* at times creates frustrations with some partners. The requirement by the Bank to "lock in" the entire budget for large-scale projects from committed funds, the difficulties in re-allocating funds between projects – though as often a GIRoA challenge – with some donor preferencing, together create rigidities in resource management that should be addressed. "Tranching" of disbursements helps cash flow management but not the more structural constraints. The recently adopted Multiphase Programming Approach (MPA) by the Bank allows for more flexible projects and tailored budgeting, which for a high-volume, high-risk portfolio like ARTF's, appears highly relevant for addressing current rigidities.

A comprehensive annual portfolio review of both IW and RCW funding supports closer alignment, more flexible use of funds, while maintaining fiduciary oversight and control. Annual project portfolio and RCW reviews that are timed to coincide with the MoF budget process should give GIRoA a better steer on funding and prioritization. Applying the MPA modality to all multi-phase projects, and having these projects come up for consideration during the annual review, will provide possibilities for budget re-allocations based on a coherent and comprehensive view of needs and potential savings.

6 Results Monitoring and Reporting

The review is to look at the results frameworks in use in terms of their appropriateness; the ARTF Scorecard and possible options for more effective monitoring of results and impact evaluation on overarching issues; the adequacy of the Monitoring and Supervisory Agent functions and outputs; and the feasibility of transferring responsibilities for the monitoring and reporting to Government.

6.1 ARTF Monitoring and Reporting Structure

ARTF results management: comprehensive though in need of further development. Donors pledging around USD 1 billion a year in a conflict-affected country that has ranked among the most corruption-prone in the world clearly want assurances that funds are well spent. The current monitoring and reporting system consists of an inter-linked set of monitoring and reporting tools and mechanisms[26]. This in turn is seen as part of the larger ARTF communications and reporting efforts, as laid out in the *ARTF Toolbox* developed in 2013 in response to the 2012 external review's proposal to strengthen the ARTF's communications of its activities and results[27]:

- **Project results reporting:** A core component of every project is its Results Framework. It consists of three elements: (a) the project development objective (PDO) that sets out what the overarching purpose of the project is; (b) a set of indicators to measure Outcomes that are linked to the PDO, and a set of Outputs to track progress toward achieving Outcomes; and (c) monitoring and evaluation (M&E) arrangements specifying units of measurement for each indicator, baselines, annual and final targets for each indicator, and roles and responsibilities for collecting, reporting, and analyzing data on those indicators. This information is generally reported by project on the ARTF web-site, and the core data are updated on a biannual basis through the Implementation Status and Results reports (ISRs) prepared by the respective World Bank task team leader (TTL). When a project is finalized, a comprehensive *Implementation Completion and Results Report* is prepared that summarizes activities, achievements, short-comings, and an assessment of project performance. This in turn becomes the subject of the Bank's Independent Evaluation Group (IEG) *Implementation Completion Report Review* that provides the Bank's final corporate assessment – though these reviews often come a long time after the project has closed, so the value in terms of operational lessons may be limited.

- **Independent Evaluations**: These normally look at larger components of the Bank's operations – a country portfolio, a funds-program (like the ARTF) – and are either external evaluations, or carried out by the IEG. The IEG did a complete review of the Bank's activities in Afghanistan in 2012, including the ARTF-funded part, while the Bank as ARTF administrator has contracted three external evaluations of the ARTF (see http://www.artf.af/external-reviews/artf-independent-evaluations).

- **Impact evaluations**: These are larger and more rigorous studies, carried out by external actors, that attempt to establish causality (attribution) between the project's activities and its Outcomes. They normally apply sophisticated methodological approaches, such as randomized control trial (RCT), to reduce the influence of "noise" in the data and establish more credible findings and linkages. This is resource demanding, so is normally only done for larger or more strategic interventions[28].

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[26] See http://www.artf.af/results/tracking-performance-and-results

[27] See http://www.artf.af/images/uploads/FINAL_ARTF_Communications_Toolbox_May_29_2013.pdf

[28] The Impact Evaluation of the National Solidarity Program was agreed in 2006, but the final report was only finalized July 2013 – see http://www.worldbank.org/en/news/feature/2013/09/29/world-bank-releases-randomized-impact-evaluation-of-afghanistans-national-solidarity-programme .

- **The ARTF Scorecard:** This annual summary presentation of ARTF results, first provided in 2013, provides assessments and ratings along four different dimensions of the ARTF (see below), including the ARTF Results Matrix, and includes data on key project results.

- **Third-party monitoring**: The Bank, through the monitoring and reporting provided by the projects – first through the various ministries' own reporting and evaluation systems, and then the analyses produced by the TTLs – is supposed to keep a close watch on both the budget support and project funding. Partly because of the conflict that prevents Bank staff from visiting project sites in some areas, and partly for capacity reasons – some projects are vast undertakings with activities across the country – the Bank has contracted third-party monitors that provide independent supervision of activities and funding, and report according to their ToR.

6.2 Bank Monitoring and Reporting

General ARTF reporting: comprehensive financial and decision reporting. The Bank provides continuous financial information through its monthly status reports. This is supplemented by more comprehensive bi-annual and annual reports that include information on project results and the RCW, which are all posted on the ARTF web-site along with all the SC and MC minutes.

Project level reporting: reasonably good but would benefit from more comprehensive and updated postings. The ARTF web-site provides information on on-going and closed projects. For closed projects, it provides a library of the core documents, including external evaluations, such as the Impact Evaluation of the NSP, mentioned above (see footnote 29). For active projects, the situation varies. Donors note that only the summary reports from supervision missions are put on the web-site – the full *aide-memoires* are generally not made available, though that is where the TTLs raise possible concerns they have concerning implementation problems, so donors feel that they get a "sanitized" summary of project performance. This concern is to some extent compounded by the project experiences show-cased on the web-site that highlight up-beat stories on how projects impact Afghan lives. When project reporting responsibilities are with national authorities, access to and completeness of reporting is seen as less complete and not updated[29]. However, at a SG retreat in August 2017, the Bank promised to invite donors with specific project interests to participate in Implementation Support Missions for those projects, and/or receive the missions' *aide memoires*, provided this was accepted by the Government.

6.3 The ARTF Scorecard

The ARTF Scorecard: a comprehensive and complex reporting instrument. The most appreciated yet criticized reporting instrument is the ARTF Scorecard. As presented on the web-site, the scorecard "*uses an integrated results and performance framework, which is organized in a four-pillar structure that groups indicators along the results chain. Two of the pillars track elements of development results (Pillar I and II), and the other two pillars capture elements of performance of the ARTF and the ARTF Administrator (Pillar III and IV)*" (http://www.artf.af/results/artf-scorecard). The scorecard is in fact unique to the ARTF within the World Bank system, and is a fairly sophisticated instrument that is to track the ARTF along several dimensions, linking the organizational effectiveness of the ARTF to its operational performance, how this influence the portfolio results, and impacts on country level results. The scorecard was initiated in 2013, and the fourth scorecard, for 2016, was only published towards the end of 2017 – a delay that caused considerable frustrations. At the SG-retreat in August 2017, the Bank committed to: (i) develop concrete proposals on results reporting based on feedback from the SG including on measuring long term impacts, and potential cost of doing so; (ii) providing bi-annual reporting on Pillar 2 results, so

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[29] See http://moph.gov.af/en/page/sehat-program for the SEHAT program in the Ministry of Public Health.

donors would not have to wait for the annual report to see how projects were progressing; (iii) include more narrative on some of achievements under the IP benchmarks, (iv) change the reporting period from what had previously been the Bank's fiscal year (July through June) and instead move to calendar years; (v) given complaints about the delays in publishing the Scorecard, the Bank promised that the annual report would be ready by the end of the first quarter of the following year – the Bank would need some time to aggregate year end data; and (vi) in the final version of the 2016 Scorecard include, where possible, some of the feedback provided by the SG, including additional narrative on the performance of the overall portfolio, and more analysis of the results – why some projects were lagging compared with planned progress and targets.

Figure 6.1: The Structure of the Scorecard
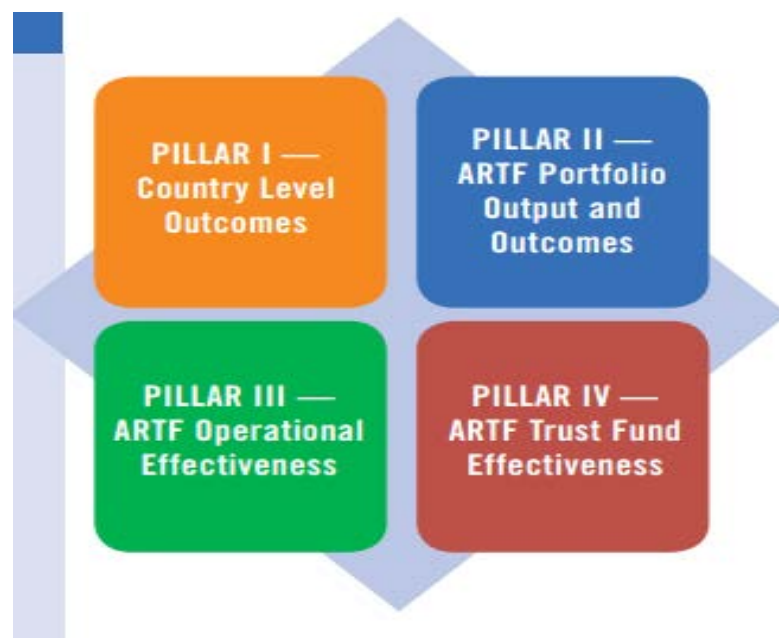
Box 6.1: Survey comments on Results Reporting

"ARTF needs to improve accessibility of its reporting. The 2016 ARTF Scorecard is well overdue and donors cannot report on ARTF progress without it. Linking between program outputs and outcomes is poor and should be improved."

"Results reporting needs to be more frequent. Major products such as the Scorecard have been shared with substantial delays. There is no overarching development goal for the ARTF hence it is difficult to assess to what the different Outputs and consequently outcomes should lead."

"The Scorecard is currently failing badly. Most urgently the Bank is failing to publish data on time - we are still waiting for the 2016 report. We should also be looking harder at the quality of data. DFID's last annual review (2016) flagged this as a significant concern, highlighting problems with chains of causality between the different levels, as well as the quality of the source data. Donors are also now starting to question the coverage of the monitoring and supervisory agents - the US is particularly concerned about this. This is just the sort of thing that the Strategy Group should be discussing but the WB does not seem open to this."

"The overall problem is that quality at entry and ([project] reporting are so uneven. Some are good: rigorous, honest, and continuous. Others are pretty shaky, especially when a 'phase two' is on the horizon. Very few links made between poor implementation and inadequate quality at entry, even though globally this is a well-known causality, not just for Afghanistan."

"Evaluations are potentially useful but only get applied to the same few flagship programs. Cumulative effects are not measured except when it comes time to ask for new contributions."

The Scorecard: an operational vehicle linked with overarching development objectives. In the 2016 scorecard, the Bank links ARTF results not only to the Millennium Development Goals, but also to the Sustainable Development Goals, providing data, where available, on both. This detailed information on some of the aggregate data makes the reports quite comprehensive, so even the first scorecard from 2013 was 65 pages. Due in part to the request for more and more timely reporting, the ARTF is therefore going to contract an international staff member whose task will be to improve the ARTF reporting. There is thus appreciation for the scorecard as the "one stop shop" for ARTF performance data.

6.4 Third-Party Monitoring and Reporting

Quality assurance for budget support: The Monitoring Agent. The ARTF contracted a Monitoring Agent (MA) already at the time of the establishment of the ARTF. The MA was to track the use of the budget support funds, and in particular ensure that only eligible expenditures were reimbursed. At the same time, it was clear that the systems, capacity, and internal oversight that the MoF could mobilize was inadequate in the face of the massive demands for quick disbursements that the newly restructured MoF had to address. The MA therefore quickly was also given the task of providing training and develop a simple manual for disbursement management. The intention was that the MA would extend its control and quality assurance work to all relevant line ministries and down to the provincial accounting offices, *moustofiats,* to ensure a comprehensive and consistent management of public funds.

Tracking project performance: The Supervisory Agent. As the IW grew in size, the need for tracking performance of large-scale and complex programs led to demands for independent verification of results delivered on the ground. With the worsening security situation and thus a decrease in the ability by donors to directly supervise, the need for an independent Supervisory Agent that in principle could also move in contested and conflict zones, was recognized.

6.4.1 Monitoring Agent

Monitoring Agent: reviews eligibility of expenditures but not efficiency and effectiveness of the RCW. The Bank has responsibility for ensuring that an appropriate standard of fiduciary control is applied to the MoF's disbursement processes. The MA is thus contracted to monitor all operating expenditures, and in particular ensure that those that are reimbursed by the ARTF RCW are in line with the agreed eligibility criteria, which are of two kinds: expenditures that Bank policies cannot fund (such as military expenses), and those that are set by national policy and which in fact constitute the bulk of the work, such as whether payroll disbursements and procurements undertaken are in accordance with Afghan rules and regulations. The MA's monitoring is undertaken in two stages. It first does a structured sampling of all the expenditure vouchers, based on a risk-weighted profile, carrying out a document-based review, and then (as of last year) also carries out visits to randomly chosen sites to ensure that supporting documentation is in place. Due to budget constraints and security considerations, the MA only visited about 50% of the sites selected. The MA is thus to monitor, support, and report on the implementation of the RCW, but does not assess performance with respect to the Incentive Program component of the RCW, as this is done more directly by the Bank in coordination with the IPWG.

The challenge: the percent of eligible expenditures was till recently falling. Although the eligibility of total expenditures submitted by the MoF has fluctuated from year to year, the general trend has been negative over the last 14 years, as shown in figure 6.2. According to the 2016 report, "*the eligibility rate has declined … for the following key reasons: non-compliance across all expenditure categories caused by improper authorization of expenditures; delayed posting of expenditures to the Afghanistan Financial Management Information System (AFMIS) outside the three-month allowable period; variances between supporting documentation and payment documentation; and supporting documents not being available for review*" (ARTF 2016 annual report, p. 37). That is, main reasons for ineligibility are not complying in full with formal requirements. These compliance failures are submitted to the various authorities for possible

rectification, so that the final count is based on actual compliance following possible corrective action. The MA has then increasingly carried out some physical verification to verify whether missing signatures, for example, are due to "ghost workers", or simply misunderstanding, missing documentation, or just simple failure to comply with rules and procedures. It should be noted that payroll compliance is generally much higher than procurement compliance, among other things because issues like missing signatures on payrolls can be rectified, whereas compliance with deadlines for submitting information on procurement, once the deadline has passed, of course cannot be changed. It should also be noted that the preliminary data for 2016 show a considerable *improvement* in the eligibility rates as the MoF has now put more pressure on line ministries to ensure that new rules and regulations are known and being followed, also at provincial and district levels.

Figure 6.2: Eligibility rates, recurrent costs expenditures, submitted to MoF, by fiscal year
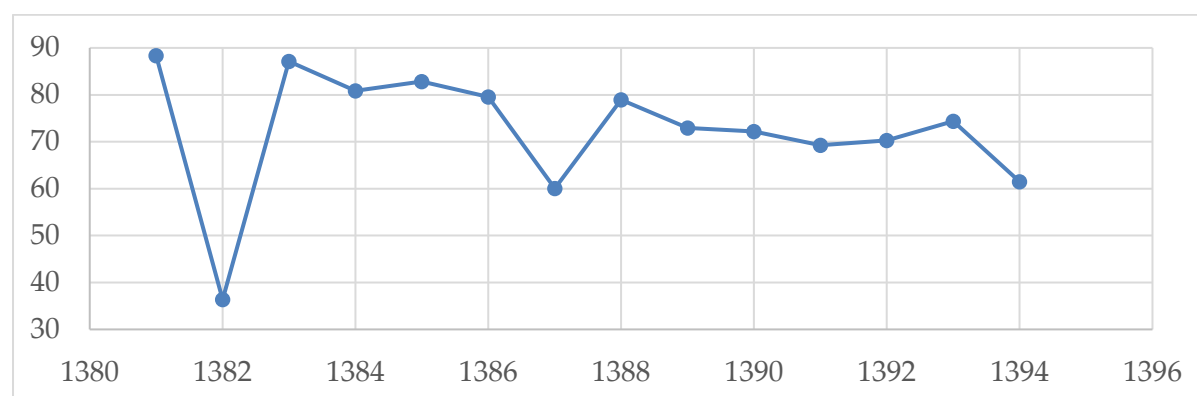
Source: ARTF 2016 annual report, p 38.

6.4.2 Supervisory Agent

Supervisory Agent (SA): providing on-the-ground control of ARTF funded activities. The first SA was contracted in 2011 to be a third-party monitor of selected infrastructure projects. It is to carry out oversight activities that Bank staff normally would do, but given the security situation in Afghanistan are currently prohibited from doing. The contract covers five larger projects with infrastructure investments: The Education Quality Improvement Program (EQUIP II); the Afghanistan Rural Access Program (formerly the National Emergency Rural Access Program, NERAP); the NSP and its follow-on activity, the Citizens' Charter; the Irrigation Restoration and Development Project; and the On-Farm Water Management Project. The SA carries out monitoring in all 34 provinces, with at least 1,900 site visits per year. The assignment includes verifying social, environmental and gender dimensions, as well as establishing citizen (local) monitoring schemes in a number of places. Site selection is done in collaboration with the line ministries based on criteria given from the Bank TTLs. Line ministries, and in particular their evaluation or internal control staff at head quarter's level, or provincial level staff, are always invited to join the site visits, but most often visits are with SA staff only, one of the problems being that ministries often do not have funds for paying their own staff to undertake field visits.

Identifying real issues. Up to September 2017, the SA used a five-point grading scale to rate the quality of the projects, and produces site reports for each visit. As of that date, the SA changed its system from quality grading to reporting on number and gravity of deviations. Line ministries receive weekly data-utilization trackers, and there are monthly meetings in the ministries responsible for the five projects to discuss deviations identified and how previous problems have been addressed (as of September 2017, this report is provided as a spreadsheet, and the SA is working on developing an online database/application that will be available from the end of the year, and if the Bank and GIRoA agree, this database will be made available to interested donors). The World Bank and MoF receive monthly deviation reports. Quarterly summaries and annual reports are published on the ARTF website, presenting key findings and how these have

been followed up by line ministries. Ability to address the issues varies, depending on the nature of the deviation: from January to October 2016, the SA carried out 1,967 site visits and found 718 deviations, of which about 35% were design-related, such as localization, choice of materials, inappropriate designs/ drawings. These are hence difficult if not impossible to rectify once construction has started.

Box 6.2: Findings from SA Monitoring of EQUIP II

EQUIP II was one of the first projects selected for third-party monitoring, and it is useful to recall the kinds of issues that have been identified over time.

In 2012 and 2013, among the problems identified were (i) structural items, such as roofing systems and load-bearing walls; (ii) Life-Safety items, including electrical work and fall hazards, (iii) suitability issues, such as an increased risk of flooding due to placement near flood-prone areas, (iv) unsafe working conditions or construction issues that could result in danger to the beneficiaries.

In 2014, the SA noted among other things (i) insufficient number of schools and classrooms to accommodate the increasing student population, even at new facilities, (ii) many school facilities lacked boundary walls and water wells, key components for a safe and functional learning environment, (iii) lower attention is often paid by the construction contractors to finish elements such as windows and doors, sidewalks and ramps, and interior finishes than to other elements of construction.

In 2015, the SA pointed to:

- The quality of completed work, especially critical items such as structural aspects, was generally good.
- The lack of boundary walls, water, and toilet facilities prevents many children, especially girls, from attending school where these facilities are missing or not yet complete.
- While the number of education facilities continues to increase, often there are insufficient facilities to support the student population.

In 2016, the SA pointed to:

- 66% of visited schools were graded satisfactory or above, while 34% were graded below satisfactory.
- Challenges of meeting planned schedules, primarily due to late payments to contractors, and multiple schools awarded to a single contractor
- A lack of annual operations and maintenance (O&M) plans and/ or O&M funding was true at all EQUIP subprojects.
- Environmental and Social Monitoring Plans (ESMPs), obligatory as of 2013, was often missing.
- 70% of deviations were related to community contracted schools that can only be corrected through O&M.
- For 7.5% of schools visited, an increase in student population and a lack of school structures forced students to attend classes in tents or other temporary facilities. In 43% of schools, buildings were overcrowded with students studying in shifts.
- Cost overruns and contractors abandoning EQUIP sub-projects resulted in many incomplete schools.
- 7% of schools were located on mountain slopes or at their bases and unnecessarily susceptible to potential landslides
- In none of the EQUIP schools monitored did teacher and student attendance data collected by the SA match with the MoE-EMIS figures (Education Management Information System).
- In mixed schools, there were 41% girls among students and 45% female teachers on the days visited.
- Women were consulted in 28% of the visited schools

Findings so far in 2017:

- EQUIP continues to have the lowest grades of all the ARTF infrastructure projects that the SA monitors, with an average grade of 3, which is slightly lower than previous years.
- EQUIP projects continued to perform poorly in terms of Environmental and Social Safeguard compliance because of budgetary constraints and a reactive approach by the ministry.
- School Management *Shuras* were established at 92% of the sites and had women members in 44% of the sites.

Project supervision: the need for improvements. All stakeholders agree that an external supervisory agent is important for providing credible quality assurance and reporting on the very dispersed programs that are being implemented. Some donors have proposed that the SA role be expanded: (i) the task should not be limited to the five current projects but cover the entire infrastructure portfolio, (ii) SA staff should be involved also in planning and design stages, so as to reduce design-related

problems, (iii) the SA should train ministry counterparts so that this task can be handed over to the authorities responsible for the projects and their subsequent use and application. Steps have been taken regarding the last two issues, including where the SA is now providing training in the methodology and the tools which they apply. Ministry staff note the failure of earlier experiences (see box 6.1), so for this to succeed, ministries need to allocate resources for the task, ensure that staff have appropriate monitoring tools, but first and foremost provide political leadership and support even when critical reporting is being produced, so that information is used, and problems addressed, and uncomfortable findings are not disregarded. On this latter point, there was considerable doubt in two ministries visited that political leadership would support critical reviews, since the experience was rather that monitoring and evaluation staff risked retaliations if problems and possible resource abuse were brought to light.

Box 6.3: Local Monitoring for EQUIP II

Based on a successful local monitoring (LM) scheme set up for the Irrigation Restoration and Development Project, the SA set up a similar system for EQUIP II in 2013. SA trained and received observations from 31 local monitors in 2013 and 22 in 2014, who were each to monitor the construction phase of their local school. The sites were spread across the country, with a priority focus on locations difficult to reach. The types of deviations made by the LMs were largely in line with those of the SA itself. The difference is that while the SA undertakes spot visits to particular sites, the LMs are present on the ground and observations can be done in real-time. This allows for swift action by the ministry or provincial authorities. An important positive effect of the LM was an increase in community involvement in the construction process, but the engagement of the LM ended when construction was finalized.

The SA's own assessment of the LM program was:

- School projects are excellent candidates for LMs since schools are of high importance to the community.
- The single-point-project nature of schools and their locations generally within the villages allow for greater ease of monitoring by the LM as they do not have a great distance to cover each day.
- With the vast number of schools being constructed, the most value from the program is achieved by deploying LMs to insecure or difficult-to-reach areas that the SA and MoE would otherwise have difficulty monitoring.

In October 2015, the SA contract was awarded to another company, which began a new LM scheme called "citizen monitor" (CM). By mid-2017, there were 6 CMs in EQUIP who have carried out a total of 575 observations from 2016 up to April 2017. CMs are hired from the community where the subproject is implemented. One issue is that since the CMs are engaged from the same community and in consultation with local stakeholders, they are easily exposed to pressure and risk of retaliation if they report problems or issues like corruption. The CMs are equipped with simple smart phones that both allows them to document using and transmitting pictures, but also makes their monitoring less obvious and thus allows them to keep a lower profile.

6.5 Findings and Conclusions

ARTF reporting: comprehensive, requiring more higher-level focus. The ARTF has a comprehensive monitoring, reporting and communications strategy that covers results tracking from project activities through to Outcome and Impact levels. The ARTF Scorecard is the central instrument, while ARTF bi-annual and annual reports provide more detail. Most information is available on the ARTF web-site. External reviews and evaluations are undertaken, but not to the extent one would expect for a program that disburses USD 800-900 million/year. The Scorecard is an innovative, comprehensive and the single most important monitoring and reporting instrument, but has been found wanting in not providing sufficient information on project Outcomes, and the 2016 report was very late.

Third-party monitoring provides critical value-added, but needs to ensure independence and coverage. While the Monitoring Agent (MA) tracks eligibility for RCW refunding, the Supervisory Agent (SA) validates construction of five infrastructure-intensive projects. This third-party monitoring is critical to the credibility of the direct ARTF results reporting. SA is applying more technology for improved monitoring and increasing somewhat use of community monitors, while the MA visits only about half the sites outside Kabul that they were expected to, due to security and budget constraints.

The Government aspires to take on more of the results monitoring and reporting responsibilities, but needs to show that it has the capacity, skills and political will. All ministries have quality assurance units, and all project reporting uses GIRoA data and systems for basic information. When it comes to producing critical and in-depth studies, the view among donors is that Government is not yet pushing for independent and evidence-based reporting. While there is strong support for GIRoA-led quality assurance of activities, this role can only evolve as Government shows a will for increased transparency, openness and accountability, and capacity and quality of GIRoA monitoring bodies are put in place.

7   Capacity Building

The review is to assess the effectiveness and adequacy of existing capacity building strategies, including those of the MA and SA, and the adequacy of the reports they prepare. The review is to look into actions that need to be taken to have project management units (PMUs)/ implementation units (PIUs) integrated within the structures of relevant ministries, and look at the effectiveness of the Research and Analysis Program (RAP) in contributing to ARTF programming, knowledge and capacity transfer.

Reviewing capacity building at project level: several approaches. Regarding project capacity building, the review has looked at this from three angles: (i) the capacity building attempted through the central Capacity Building for Results (CBR) facility, and some of the work under the Bank's support to public finance management (PFM) development, (ii) the capacity building that is taking place in the health and education sectors regarding programming and quality assurance, and (iii) the MA and SA work.

7.1   Capacity Building for Results Facility

Building human resources: contracting in. The ARTF has supported capacity building in the public sector through a number of projects. The *Afghan Expatriates Program* (AEP), initiated in 2002, recruited qualified expatriate Afghans into positions as senior advisers in ministries and agencies, while the *Lateral Entry Program* (LEP), begun in 2004, was to recruit Afghans from the domestic and regional labor markets into senior and mid-level management positions in ministries and agencies. While AEP thus was seen as temporary support, the LEP tried to recruit more permanent senior civil servants.

Building capacity: linking human resources with public sector reform. AEP and LEP were merged into the *Civil Service Capacity Building* (CSCB) project in 2005[30]. The aim of this project was to provide support to the Government's Priority Reform and Reconstruction (PRR) program, which in turn was meant as an overarching public sector reform program. However, results in terms of long-term capacity built and reforms implemented were mixed, in part because reforms were much slower in being implemented than had been planned and hoped for[31].

Building capacity: focus on strategic functions. The *Management Capacity Program* (MCP) ran parallel to the CSCB and with approximately the same budget[32]. It was to provide experienced staff to ministries/agencies to assume line management responsibility for executing common functions as well as key managerial responsibility in some sectoral ministries that contribute to key areas of economic development. The intention was to build capacities in key performance areas such as PFM, human resources management, internal audit and procurement *across* institutions, to ensure that central functions were carried out at a more professional level across the public sector. The other component was to strengthen the Independent Administrative Reform and Civil Service Commission (IARCSC) to manage the program. Results were more or less in line with those of the CSCB project. Public sector reform processes that were to be supported by hiring in more experienced managerial staff never really took off, and the improved salaries that were provided to Afghan officials under the programs succeeded in attracting some better qualified staff but, according to the Implementation Completion Report, on a less systematic and sustainable basis than was the intention.

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[30] The project ran from May 2005 through February 2010, with a budget of USD 13 million.

[31] See the Implementation Completion Report at http://documents.worldbank.org/curated/en/722691467992791868/pdf/ICR15490ICR0Af000PUBLIC00Box379832B.pdf

[32] The MCP ran from June 2007 through December 2011, with a budget of about USD 11.1 million

Structuring a new approach: demand-led change built on own reforms. Based on the experiences above, the *Capacity Building for Results* (CBR) facility was designed as a combined reform and staffing-up exercise, but where ownership of the reforms had to be proven before additional senior staff would be funded. The CBR would assist actors develop the reforms, and CBR would then follow up by contracting senior level managers on National Technical Assistants (NTA) pay-scale, a unified scale agreed with and respected by all the donors[33], but where the posts were on the civil services payroll (*tashkeel*). The CBR-supported reforms were to contribute to a package of service delivery improvements, simplification of ministry business processes, increased budget execution, and attention to sub-national administration performance.

CBR: Unifying capacity building efforts. Another objective of the CBR was to streamline the capacity building efforts in the public sector. This is done by providing sufficient resources to the Government so that the need for bilaterally funded (off-budget) technical assistance could be reduced and over time eliminated. Since the CBR only funds *tashkeel* positions, this would also mean that bodies like PIUs and PMUs would disappear. In order to reach this ambitious target, the CBR was a comprehensive five-year program with a budget of USD 350 million. It had a complex management set-up, with the MoF and IARCSC jointly responsible (see figure 7.1), creating problems for smooth implementation, leading to a first restructuring in June 2016, with the budget reduced to USD 150 million, and a second restructuring in July 2017, with full implementation responsibility given to IARCSC.

Learning from the PRR: focus on fewer institutions. While the PRR had been a fairly open process that all ministries and agencies could join, the CBR was to focus on 13 line ministries and agencies. Other institutions could receive some CBR support, but would only get the full support if they fulfilled criteria regarding quality and preparedness of their reform proposal. Since the requirements for getting approval were demanding, the number of proposals approved were few. But without an approved reform program, the ministry or agency could not hire CBR-funded staff. Part of the restructuring in June 2016 therefore included some simplification and "watering down" of the reform aspect. But when the new Government came to power in 2014, the country's fiscal crisis forced a public sector hiring freeze. This lasted almost 18 months, so the major disbursement category – the contracting of CBR civil servants under the NTA salary scheme – was held back.

Contracting senior civil servants: an intended move towards merit-based appointments. The current law requires that the President approve all Grade 1 and 2 (senior-most level) appointments across all ministries, including those hired through the CBR. Following a presidential decree of September 2015, line ministries select the candidates with the IARCSC providing oversight, and in case of CBR appointees, a human resources firm provides quality assurance by vetting the candidates. Line ministries carry out their own Grades 3-8 selections, with the IARCSC overseeing these, so the contracting of civil servants is now unified for all grades. While the CBR project has now streamlined its contracting process, the project has largely become simply a contracting body for CBR-funded staff. While the original target was for 2,400 staff, by the time of the project restructuring only 50 staff were in place. Since then, contracting has accelerated, and by August 2017 about 680 staff were in place, a further 450 candidates were being processed, with the overall target now being 1,500 staff in place at the time of project closure at the middle of 2018. At that time, total expenditures are expected to be around USD 50 million, with the remaining USD 100 million rolled over into a new phase of the project.

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[33] The NTA represents a major step in unifying the labor market for skilled labor in Afghanistan, since donors, NGOs et care not to pay higher wages than the NTA scale. Regular senior civil servants are paid on Pay and Grading (P&G) system, which is much lower and also varies across ministries and thus not unified.

Figure 7.1: CBR Management Structure
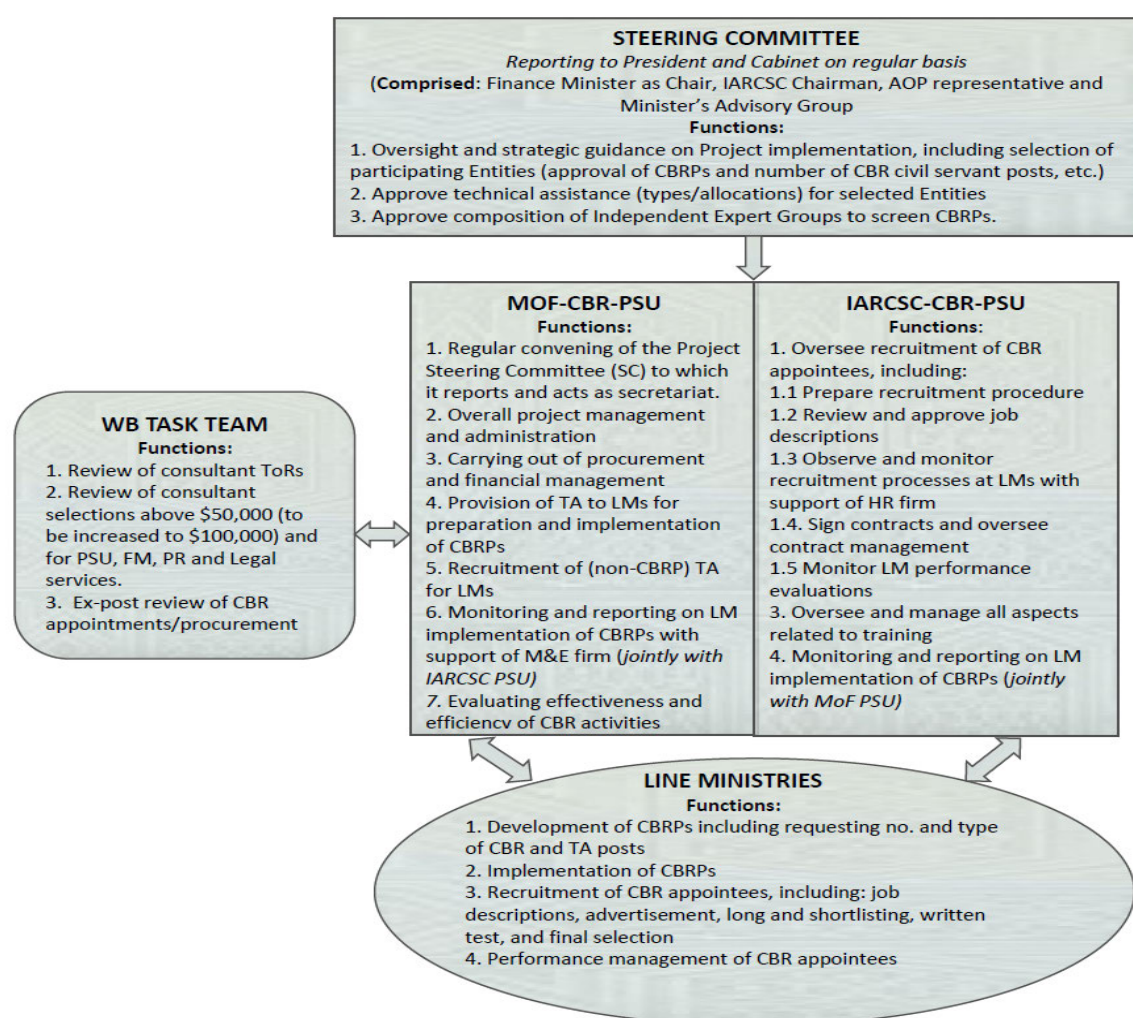
Source: MoF, CBR Fact Sheet, Frequently Asked Questions, p. 5

Public sector reform: demanding and contradictory. The major challenge for CBR success has been, as with the previous projects, the reform processes, and the linkages to the CBR staffing:

- It has been difficult to agree to the reforms proposed, in part because any change means that some offices and positions disappear or lose influence, leading to strong resistance by some to the changes. Despite this, 11 of the 13 line ministries and agencies have now fully approved reform plans, where 7 have met or exceeded the minimum target in the area of business process improvements, and 15 line ministries and agencies have met the target of disbursing 60% or more of their development budget (public investment) in FY1396, where low utilization of public investment funding has been a consistent challenge for Government fiscal performance.

- In some ministries it has been clear that ministers were not particularly concerned with structural changes, with the result that there was little pressure from the top to implement change. The civil service structure, as reflected in *tashkeel* that is the basis for recruitment, was not always aligned with the actual mandate of the ministry: important technical areas might now have staff positions included, while existing positions might not be strategic or required. The linkages between the reform process and the staff positions that a ministry wanted to recruit to, were often missing: ministers wanted staff for implementing tasks, not for pushing reforms, which therefore meant that a main assumption underlying the promotion of reform processes was not in place.

- Staff recycling has emerged as an issue: staff already in position and thus on the standard P&G salary system are put forward as candidates for CBR-funded positions, to get the higher NTA-pay, but this contradicts the fundamental idea of bringing in "fresh blood" to support reform processes.

- Some ministries have also kept their bilateral project technical assistance, so CBR funding has come as a *supplement* to the continued bilateral support, rather than helped the ministry streamline and reduce its external assistance and focus CBR staff on strategic needs for improved performance.

Building the institutions that produce capacity: unclear strategy. While the IARCSC, as the manager of public sector reforms, has been strengthened, civil service training is lagging. The *Afghanistan Civil Service Institute* (ACSI) has received some support, but has shown little commitment to developing a structured program and building its internal skills for delivering higher-level training. Some trainings abroad have taken place, but with no follow-up through steps like institutional twinning, staff exchanges, peer validations etc. While funding for studies and trips abroad have been requested, these have not been part of any larger capacity strategy, so the CBR facility has not seen how this could contribute to meaningful and sustainable development.

Looking ahead: designing the next phase as a fresh start. Given the structural weaknesses of the CBR, the foreseen follow-on project will be based on results-based financing – essentially an Incentive Payment scheme. This is to address the issue of insufficient political support by tying disbursements to the achievement of relevant reforms. While recruitment of new staff will continue, this will not be the focus of program design, with recruitment *systems* given equal emphasis as *numbers*. These recruitments will not be funded as upfront support, but will be made possible only as funding tranches are released against the achievement of pre-agreed targets and quality metrics (see section 7.2 for more on this). Functional reviews will guide allocation and help improve targeting of staff positions, and to support gender equality, indicators will address the recruitment of women. External technical assistance will be linked to the development of legal and policy frameworks and no longer for internal management and operations issues, and this will be further reinforced through financial incentives to reduce parallel civil service staff. This is to further allow the new program to become seamlessly integrated into the IARCSC's core functions, and away from the PIU-model. This will reduce the time Bank staff will need to monitor and follow up project activities and provide more space to provide technical and policy advisory support to key reform areas.

7.2 PFM Reform and Fiscal Performance Support Projects

Public financial management: a core area for ARTF funding. The Bank, applying both IDA and ARTF resources, has provided considerable support to the development of public financial management (PFM). The Second PFM Reform project, with a budget of USD 73 million from the ARTF (and an additional financing from IDA of USD 41.1 million approved in January 2015), was approved in June 2011 and was to have ended December 2014, but has been extended till December 2017.

Using GIRoA's PFM Roadmap: a broad-based approach. The project was based on the PFM Roadmap agreed between the Government and the donors at the Kabul International Conference in July 2010, and subsequently outlined in more detail in an NPP for PFM. The objective is to strengthen PFM in line with sound financial management standards of monitoring, reporting and control. The program therefore concentrates on three core areas: treasury, procurement and audit. Within the audit area, it includes support to the Supreme Audit Office and for building an accounting profession in the country. While focus is on strengthening core competencies in the MoF, some support is also provided to line ministries at central and provincial levels, to improve their financial management capacity.

Afghanistan PFM: scoring well in core areas. The most recent ISR report has given the project a *Satisfactory* rating, which is good for a capacity building project, particularly in the context of the

challenges that Afghanistan is facing[34]. This positive rating is in line with the quite positive scores that Afghanistan has received on its Public Expenditure and Financial Accountability (PEFA) studies, where the country's ratings in the 2013 study were above the average for low-income and fragile states, and equaled middle-income country results for Control, Reporting, and External Scrutiny (see table 7.1). The table shows that Afghanistan improved its ratings on 10 of the 26 PEFA indicators from the 2008 study to the one done in 2013, while 11 of the indicators remained the same and the remaining five deteriorated[35].

Table 7.1: PEFA Scores, 2008 and 2013 reviews

Performance indicator	2008	2013
A - Credibility of the budget:		
PI-1: Aggregate expenditure out-turn compared to original approved budget	D	C
PI-2: Composition of expenditure out-turn compared to original approved budget	D	D+
PI-3: Aggregate revenue out-turn compared to original approved budget to	A	C
PI-4: Stock and monitoring of expenditures payment arrears	D+	C+
B – Comprehensiveness and Transparency:		
PI-5: Classification of the budget	C	C
PI-6: Comprehensiveness of information included in budget documentation	B	C
PI-7: Extent of unreported government operations	B+	NR
PI-8: Transparency of inter-governmental fiscal relations	D	A
PI-9: Oversight of aggregate fiscal risk from other public sector entities	D+	D+
PI-10: Public access to key fiscal information	B	B
C – Policy Based Budgeting:		
PI-11: Orderliness and participation in the annual budget process	B	C+
PI-12: Multi-year perspective in fiscal planning, expenditure policy and budgeting	B	C+
D – Predictability and Control in Budget Execution:		
PI-13: Transparency of taxpayer obligations and liabilities	C	C+
PI-14: Effectiveness of measures for taxpayer registration and assessment	C	C+
PI-15: Effectiveness in collection of tax payments	D+	NR
PI-16: Predictability in the availability of funds for commitment of expenditures	B+	B+
PI-17: Recording and management of cash balances, debt and guarantees	B+	B+
PI-18: Effectiveness of payroll controls	C+	B
PI-19: Transparency, competition and complaints mechanisms in procurement	B	B+
PI-20: Effectiveness of internal controls for non-salary expenditures	C+	C+
PI-21: Effectiveness of internal audit	C	C
E – Accounting, Recording and Reporting:		
PI-22: Timeliness and regularity of accounts reconciliation	B	B
PI-23: Availability of information on resources received by service delivery unit	D	C
PI-24: Quality and timeliness of in-year budget reports	C+	C+
PI-25: Quality and timeliness of annual financial statements	B+	C+

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[34] See World Bank, May 2017, ISRR for Public Financial Management Reform II, P-120427

[35] Two of the indicators were not scored in 2013, and the three last indicators concern donor behavior and not the country's own systems. A new PEFA study is underway and is expected to be available early 2018, and will document whether progress has continued during the intervening four-year period.

F – External Scrutiny and Audit:		
PI-26: Scope, nature and follow-up of external audit	**C**	**C+**
PI-27: Legislative scrutiny of annual budget law	**B+**	**B+**
PI-28: Legislative scrutiny of external audit reports	**C+**	**C+**
G – Donor Practices:		
D-1: Predictability of direct budget support	**B+**	**B+**
D-2: Financial information provided by donors for budgeting and reporting on project aid	**D**	**D+**
D-3: Proportion of aid that is managed by use of national procedures	**D**	**D**

Source: World Bank (2013), Afghanistan: Public Financial Management and Accountability Assessment, pp. 95-96

PFM support: fragmented and partial. While there has been progress in PFM as reflected in the PEFA scores, the reforms have been supported by classic technical assistance projects funded by the World Bank, DFID, USAID, ADB, UNDP. These projects concentrated on particular thematic fields or units in the MoF, and within these areas, focus was on the skills and tasks of technical staff, their tools, rules and regulations. But the large number of projects led to a fragmentation of the support, with different approaches and timelines across donors, sometimes with small PIUs, that undermined the Ministry's ability to manage and prioritize overall efforts.

Addressing fragmentation: designing a roadmap to reform. In 2015, the Government designed a more broad-based reform that was also to develop a performance-oriented corporate culture, called the PFM Roadmap II. This program covers the period 2016-2020, based on the lessons learned from the PFM work up till then, but first and foremost the Government's strategic vision as laid out in the *Realizing Self-Reliance* paper and subsequently the *ANPDF*. The Roadmap is to address a series of issues: insufficient domestic revenues to meet spending needs; Government resource allocation not aligned with national or sub-national priorities; service delivery difficult to improve due to weak accountability and monitoring and evaluation; corruption that inhibits effectiveness and efficiency of government administration and undermines trust between government and citizens; poor project planning with insufficient guidance and support to ministries; fragmented aid that is not aligned with Government priorities; lack of a guiding fiscal framework to ensure that expenditures are constrained by available resources; and budget execution that suffers from process weaknesses[36].

Driving an ambitious reform: the FPIP. In order to implement the Roadmap, a Fiscal Performance Improvement Plan (FPIP) was developed[37]. It is structured as a rolling five-year plan, broken down by administrative unit, using team-based performance management as the core concept for achieving the targets set. The plan is highly operational, with each unit's performance team setting its own five-year objectives, but with annual targets against which they are to measure themselves through self-assessment exercises. While the targets are annual, self-assessments and reporting are to take place every six months, so that likely deviations from stated goals are identified early on, leading either to a revision in the work plan, or changes to the targets if they were found not to be realistic or no longer priority. The plan is therefore meant to be flexible and adjust to the realities on the ground, but with the various units challenged to be as ambitious as they can. A Performance Management Team under the Deputy Minister of Finance is overall responsible for tracking and supporting the various teams in their implementation and reporting.

First year of FPIP: positive results, important challenges. The first year of implementation of the FPIP was FY 1395 (2016), comprising 63 teams in the MoF, the Supreme Audit Office (SAO) and the National

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[36] See MoF, "Public Financial Management Roadmap II", 5 September 2015, p. 1

[37] See http://mfpd mof.gov.af/wp-content/uploads/

Procurement Authority (NPA). Results were seen as largely positive, though the roll-over and revision of the plan for FY 1396 (2017) experienced serious delays. This was partly because it took time to collect and compile the results from FY 1395, and then revise and update the five-year plan beginning in FY 1396. The full plan was therefore only ready mid-year with the three-volume plan made public in July 2017. The nearly 750 pages detail the 1,400 or so activities that are foreseen each year[38].

Supporting FPIP: a performance oriented FSP. The first two years of the FPIP (2016-2017) have been funded under the PFMR II project, with the constraints this has meant in terms of what could be financed. A new USD 100 million Fiscal Performance Improvement Support Project (FSP) for the five-year period 2017-2021 has been developed[39]. Project financing will be policy/outcome based and provide general support to the MoF, SAO and NPA, so how funds are actually spent is up to MoF to decide. Instead of a PIU managing the program, the MoF Administration Department will be responsible for procurement, contract management, logistics etc., and will be able to draw on *tashkeel* experts from the previous Bank-funded PFM projects.

FSP: GIRoA-based support. As seen above, the FSP is therefore a step in the direction that the Government has requested, with the objectives being more broad-based and aligned with overarching priorities rather than project-specific objectives. The FSP will also become the only funding source for support to the MoF, with almost all bilateral TA projects to MoF closing down by the end of 2017, and thus no further PIUs in the Ministry.

FPIP: too ambitious? The FPIP is a very thorough and ambitious reform program. While it has been approved and put forward by the Government, it has received considerable support from external consultants, and therefore suffers from some of the same concerns that other consultancy-supported reform plans face, which is how deep and wide the understanding, knowledge and support actually is. One clear strength of the FPIP is its thorough and all-encompassing scope: all areas of the Ministry have been involved, and the FPIP has gone through a full top-to-bottom review after the first full year of implementation. The question of whether a capacity-constrained MoF is able to pursue, implement and report on 1,400 activities in the course of a year remains, however, and it is of some concern that most of the documentation seems to be available only in English.

7.3 Supervisory and Monitoring Agents' Capacity Building

Monitoring Agent: training Afghans to assume MA responsibility. The MA has always included training for Afghan PFM officials – first in the MoF, and subsequently training was introduced to key line ministries and was to have been rolled out to provincial *moustofiats,* though due to increasing security constraints, this has been limited. This task was also very time demanding since the total number of staff involved in processing expenditures across both central and provincial government is high. Given the fact that the MA monitors GIRoA's entire recurrent cost expenditure for eligibility, and that it is a costly exercise, Government officials insist that some knowledge transfer needs to take place for the Afghans to be able to conduct such monitoring in the future. As a result, in addition to the capacity building that MA already provides to the MoF officials, the most recent MA contract includes a requirement for the MA to "*Work with the necessary government agency to monitor and report on the ARTF*

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[38]   See   http://mfpd mof.gov.af/wp-content/uploads/2013/12/2017-5-Year-Plan-FPIP-Volume-II-300617.pdf While the number of teams has increased considerably, a number of activities are similar and have been streamlined, and redundant ones eliminated. See the documents at the site noted in the footnote above.

[39] See http://documents.worldbank.org/curated/en/583841502557801639/text/ITM00184-P159655-08-12-2017-1502557795686.txt. USD 75 million is from ARTF and USD 25 million from IDA. The project therefore has to go to the Bank's Board for approval, which is expected in October 2017.

RC activities. In the process, develop very clear knowledge transfer plan, agree same with government and the World Bank and implement same in a robust way within the first two years of the contract." This approach will help develop GIRoA capacity to work in tandem with MA to perform certain aspects of the monitoring. At this time, though, donors and Bank officials believe it is still necessary to retain third party monitoring and only transfer responsibilities in line with when the public sector can demonstrate capacity and commitment to independent and evidence-based verification.

Supervisory Agent: train and assist line ministry staff in using data on deviations. The SA organizes monthly meetings where they go through identified deviations from the site-visits, to determine possible root causes for deviations and good practices, and determine possible corrective actions and estimate cost for rectifying the deviations. The SA has built a database on "data-utilization", i.e. how the responsible line ministries are following up the deviations that the SA report to them. This database is to become accessible to the line ministries and the ARTF administrator in the near future.

SA: building capacity among citizens and in ministries. The SA began to select and train local monitors (community or citizen monitors) in areas where on-going monitoring was needed but where neither line ministries, the Bank nor the SA could be present often enough. Many important deviations have been identified at an early stage and rectified due to reports from these citizen monitors. These monitors are identified in different ways, depending on the location, but with emphasis on strict impartiality criteria. A different training program was set up to provide field engineers in the MoE with requisite skills for future monitoring on their own, but with disappointing results (see box 7.1).

Box 7.1: Training Field Engineers from MoE

When Ministry of Education (MoE) engineers accompanied SA field engineers to EQUIP sites, it was often noted that they lacked necessary skills to comprehensively inspect a school's construction. A Monitoring Training Center was therefore set up by the SA in 2013, and about 15 engineers from the Infrastructure Services Department within the MoE were given a one-month intensive classroom and practical training on construction monitoring. This was followed with on-the-job training to perform inspections in the field, and subsequent data processing. A second group of engineers were trained the following year, and all of them passed the final test.

However, the monitoring system requires the use of smart-phones with internet access in order to send location- and time-tagged photos and then to process this and other information. Due to budgetary and other practical constraints within the MoE, the engineers were not able to continue the internal monitoring once the training program ended in 2014. The conclusion was that any new attempts at training internal monitoring capacity required up-front commitment on providing the necessary funding and support from ministry management.

7.4 Integrating PIUs/PMUs

PIUs and PMUs: yesterday's issue? Project Implementation or Management Units (PIUs/PMUs) were used by donors in response to perceived lack of capacity – and often political will – to plan, implement, monitor and report on large and complex programs. The weaknesses of the PIUs/PMUs have long been recognized (see box 7.2): since they are funded as part of the program itself, staff are generally hired by and feel loyalty to the funding body rather than the national institution. Staff are often short-term, and may move from one unit to another, so little learning and capacity remains behind. And national bodies that are the beneficiaries often feel little ownership of and responsibility for the program, using the existence of PIUs/PMUs as an excuse when results are disappointing: "not our but their responsibility". The Bank has for many years had a policy of not using PIUs when feasible, and to phase them out as quickly as possible. For complex programs with national reach, such as the National Solidarity Program, the need for additional capacity beyond what the various line ministries already had, was seen as critical for providing key public services. But GIRoA has clearly stated it wants remaining PIUs/PMUs fully integrated into line ministry structures, both to increase local ownership, but also to strengthen effectiveness and sustainability of results.

Box 7.2: World Bank Evaluation of PIUs

The World Bank, in 2000, summarized its findings regarding the use of PIUs as follows: "The Bank's experience with the utilization of Project Implementation Units (PIUs) has been mixed. The positive findings suggest that PIUs which have been appropriately staffed with the required technical skills have proven useful and even indispensable, for the achievement of rapid and efficient implementation of projects in borrower countries. Staff in the PIUs provided skills that were scarce in some of the borrower countries -- skills in activities such as procurement, contracting, accounting, and supervision of civil works…..

With respect to post-conflict operations, varied outcomes in utilizing PIUs have been found, as was elucidated in the OED study on The World Bank's Experience with Post-Conflict Reconstruction, in which OED reviewed 157 Bank-supported post-conflict operations in 18 countries (1998) In most of the post-conflict operations examined, PIUs were used to monitor progress, facilitate supervision and provide assistance with the reconstruction efforts…The specific lessons ….are as follows:

- Use PIUs only in exceptional circumstances or when there is no feasible alternative, such as in post-conflict or in emergency situations. However, … there should be commitment to a monitorable phase-out plan.
- When used, PIUs should play an integral role in ensuring rapid and efficient completion of the project.
- PIUs should be closely integrated into line ministries with other public entities of the borrower countries, leveraging on available resources (of existing agencies) rather than setting them up as independent units and having them operate autonomously."

Source: http://lnweb90.worldbank.org/oed/oeddoclib.nsf/0/adf4b0ad4ae0bb25852569ba006e34b4?OpenDocument

The transitions of PIUs: it is happening. From 2004 to 2008, the EQUIP management unit was a separate PIU. When EQUIP II was designed in 2008, it became the first ARTF national program where implementation management became fully integrated within the line ministry. According to MoE staff and EQUIP TTLs, this has clearly been one of the strengths of EQUIP II, as this has enhanced the ownership of the program within the Ministry. With EQUIP II, the management unit became a project coordination unit with a gradually decreasing role. The follow-on Educational Quality Reform in Afghanistan (EQRA) program is going one step further and will not have a separate program coordination unit at all, as the Ministry now believes it has the skills and experience to fully coordinate and implement this program, using its regular civil service and the Ministry's systems and structures.

The new program design: complex reforms based on own commitment and capacities. The approach that the Government prefers is the one developed with its Fiscal Performance Implementation Plan, FPIP (see section 7.2 above), where the reform and implementation plan has been developed over time, with full involvement of the staff that will be affected. While much of the design and documentation has been done with the assistance of outside consultants, they have been contracted by the Government, work for it, and have spent the time necessary to undertake careful consultations with the various units that are included in the plan. The intention is that ownership and performance responsibilities are clear and have been included in the work plans for the coming period. There are no new ARTF-funded projects that have the old PIU/PMU set-up, so over time this issue might be one that is disappearing, while the exact management model in the years to come may still be tweaked somewhat, but appears to be having the existing *tashkeel* staff, structures and instruments as its foundations.

7.5 Research and Analysis Program

The RAP: strengthening evidence-based policy and program development. In response to the 2012 ARTF review, the ARTF partners agreed to set up a Research and Analysis Program (RAP), whose aim was to *"incorporate evidence based knowledge into policy-making and project design to help the Government and donors improve the delivery of assistance and services to the citizens of Afghanistan….The RAP would enable research endeavors to be scaled up, and to be applied, monitored and utilized more systematically. Recognizing that research is often constrained not only by finances but by time, knowledge, and focus, the RAP would provide practical support to project teams on research design and implementation. Finally, the RAP would provide a platform for collaborative engagement and enhanced dialogue between policy-makers, project administrators and*

researchers. Based on the agreed work program of the RAP a plan would be drafted to agree on optimal facilitation of collaboration for each research project" (ARTF Administrator, Concept Note, February 2013).

Original ambition: broad-based and well-funded. The RAP was to fund two kinds of activities: (i) ARTF project-based research, including impact evaluations and improvements in M&E, and (ii) selected sector-wide/ cross-sectoral studies, with only one or two of these larger studies each year. Most of the work was thus to be project focused, where selection of topics was to be fully aligned with and in support of the Financing Strategy. The RAP was to have a budget of about USD 5 million per year, in addition to the work that was funded directly by the various projects themselves. The typical budget was expected to be in the USD 250,000-500,000 range, while multi-year studies could cost USD 1-2 million in total. A fairly sophisticated management structure and flow process was set up to ensure the coherence and integration of RAP results into the larger ARTF universe (see figure 7.2).

Results to date: slow start, pace picking up. As of February 2017, 17 proposals had been approved, with total budgets of just over USD 5.3 million, of which USD 2.2 million had been disbursed. Only one project had been finalized as of then, a "proof of concept" study mapping the health and education assets in two provinces, which was finalized already in December 2015 (see http://www.artf.af/images/uploads/Mapping_of_ service_delivery_gaps_Final_Report.pdf). The remaining 16 studies are to be finalized at the latest in 2018. The studies typically are forward-looking, exploring issues of relevance to upcoming projects or programs, thus addressing the policy and program development dimension. There are few if any studies that look at impact or more qualitative results from the various interventions, which was one of the proposals in the 2012 study, and is also an issue the Government has pointed to.

Looking to the future: a wider and larger Bank-managed program. At the ARTF Strategy Group retreat in August 2017, the Bank proposed that the RAP be replaced by a more broad-based and Bank executed Advisory Services-Implementation Support-Technical Assistance (ASIST) facility with sub-windows for various NPPs, and with total annual allocations of USD 6 million.

7.6 Findings and Conclusions

Capacity building: no overarching strategy but broad-based set of interventions. The ARTF does not have an overarching capacity building strategy, but finances numerous capacity building activities. Under the RCW, the MA provides some limited training while the IP supported reforms aim at building institutions and capacities. Under the IW, the SA has provided quality assurance training while projects are strengthening systems, technical skills, and general planning, implementation and reporting.

Monitoring Agent: focus on management and validation. The MA historically provided some training to accounting staff in the MoF and key line ministries, and *moustofiats.* The focus now is on supervision and management in the MoF and field-based verification, though funding and security concerns constrain activities. The basic problem remains, as ineligible expenditures continue to be very high.

Supervisory Agent: few training results. SA has staff in five ministries assisting with the interpretation of SA reports, providing some on-the-job training, and has trained some local monitors[40]. Formal training of engineers in MoE was successful in imparting skills, but with no impact since MoE did not provide necessary resources for the engineers to use new skills. SA-provided skills upgrading thus remains *ad hoc* and not a central part of its task or contract.

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[40] The five ministries are the Ministries of Education; Energy and Water; Finance; Public Works; and Rural Rehabilitation and Development.

Figure 7.2: The RAP Process Flow and Management Structure, as Outlined in Concept Note

Capacity Building Facility: important ambitions, disappointing results. A five-year USD 350 million CBR facility was to drive public sector reforms while building additional capacity through the recruitment of skilled mid- and higher-level managers into *tashkeel* positions. First phase reforms stalled, partly due to lack of political and policy commitment, leading to the program being revised down to USD 150 million, the Independent Administrative Reform and Civil Service Commission (IARCSC) was made manager, staff recruitment has been streamlined, and while total disbursements will end up around USD 50 million, the remaining USD 100 million are meant for a follow-on phase that is designed to take on board lessons learned. The CBR has succeeded in harmonizing the pay for National Technical Assistance (NTA) staff, and unifying and harmonizing several projects, thus reducing management/ transaction costs to donors and GIRoA. The role of public service training institutions remains marginal, so the capacity to produce capacity has not been addressed.

Fiscal Support Project: high-risk – high pay-off? The Bank historically supported PFM reforms through several technical assistance projects. The MoF has now developed a Fiscal Performance Improvement Plan (FPIP) that addresses the entire MoF, Supreme Audit Office and National Procurement Authority. The Bank's upcoming Fiscal Support Project (FSP) is to assist the five-year rolling FPIP that includes nearly 100 performance teams with about 1,400 annual activities. While FPIP is better embedded than the CBR reforms, it will be important to track performance: if the MoF is not able to address ineligible expenditures, should it simultaneously address another 1,399 targets?

Integrating PIUs/PMUs: largely done. GIRoA wants to eliminate the use of Project Implementation/ Management Units, and this is largely happening: new ARTF programs have implementation models that are integrated into ministry structures and employ *tashkeel* staff, including some who are CBR recruited. The ARTF's FSP backs this approach with its funding of the FPIP.

RAP transiting to ASIST: more relevant products? The Results and Analysis Program (RAP) got off to a slow start in 2015, with 17 activities approved and 5 finalized. Most studies are exploratory for improving existing or future interventions, run by Bank TTLs. The RAP is suggested replaced by a more ambitious Advisory Services-Implementation Support-Technical Assistance (ASIST) facility, with a proposed USD 6 million/year, with sub-windows for key NPPs that ARTF financing will support. A key objective of the RAP in the 2012 ARTF review, however, was to provide financing for strengthening local Afghan knowledge centers to look into issues like distributional effects and sustainability challenges of ARTF-funded programs. This dimension seems missing also from the ASIST.

8   Strengthening Government Ownership

The Government has expressed a strong desire to have greater say in how the ARTF as a program is managed and how funding is applied, from the formal decision-making bodies to how activities are designed, implemented and monitored.

8.1   Strengthening Government Ownership

Government ownership: consensus on principle, differing views on contents. There is agreement that GIRoA should take more ownership and get more responsibility for the ARTF, where GIRoA would like resource allocations to be closer to its own NPP-based programming, and to move away from projects and the rigidities that follows with this. While the donors agree with the idea of moving towards more GIRoA ownership, leadership and programming, the requirement is that the Bank's standards and oversight are ensured, and that the Government shows through action that it has the capacity and will to follow through on its intentions. The Bank is interested in having the Government take on more of the ARTF responsibilities, but within the constraints that a Bank-administered funding instrument needs to adhere to. Therefore, ensuring that all partners understand "the rules of the game" is a continuing challenge. Table 8.1 presents issues and concerns raised by the various ARTF partners with regards to a greater Government role in the ARTF.

Table 8.1: Options and Issues for Stronger Government Ownership

Stakeholder Group	
GIRoA	• Government ownership can and should be enhanced in a number of areas. • The Government should take lead in some of the governing bodies • The Bank could concentrate more on the technical assistance to the projects and assist the Government take a more proactive role in the portfolio management. • More involvement from line ministries, and more engagement between MoF and line ministries. • The MoF should set priorities and strategies, and once projects are designed, MoF should assist with the financing agreements between line ministries and ARTF. • GIRoA should have bigger say in ratio RCW : IW, where now is 50:50. • Portfolio management and results monitoring are other areas in which the Government can and should play a bigger role
Donors	• Need for more GIRoA engagement on ARTF from political/ministry level • Bank should continue with fiscal reporting and results reporting. If GIRoA were to take over, safeguards would have to be very strong • GIRoA should increase visible engagement and interest in project implementation • GIRoA needs to effectively run its agenda and implement its strategy • Sign a partnership where GIRoA commits to effective management of programs. • Capacity building, i.e. SEHAT and EQUIP, has failed to achieve objectives – hand over to GIRoA responsibility and ownership for this. • The ARTF counterpart is the MoF, but there is a need for the line ministries to participate actively so as to increase their ownership of those projects, including representation by the Ministry of Women's Affairs or the line ministry Gender Unit, especially in projects that have gender targets and indicators. • More engagement from line ministries and more participation from GIRoA in developing the Financing Strategy. • Education: Even though funds are there, objectives and results are not necessarily owned by Government. Important that clear expected outcomes are defined and agreed upon in annual tracking, and adjustments made accordingly. • Key issue is differing capacities and abilities Bank ⇔ GIRoA regarding ARTF and its activities. How to re-balance in GIRoA favor? • GIRoA is overstretched. Some staff have ideas what the ARTF should do, but are often not in attendance in ARTF decision-making meetings.

	• Since ARTF is such a big part of the Afghan budget, it is unclear why there is not a ministerial level position of the ARTF with authority to make decisions.
	• The lines of accountability are not always clear. The ARTF management has taken too much responsibility and the Government just shows up to the meetings.
	• Hand more authority to ministries that deliver, such as MoF – have a differentiated approach to transferring funds and authority – essentially performance based.
	• Need to build capacity, ownership with clear benchmarks that can be monitored.
	• GIRoA needs to assume responsibility for setting priorities, taking difficult decisions when projects not performing.
	• MoF worried that poor results reports will lead to funding cuts, so reporting not always credible. Need to address this to ensure valid, reliable reporting
	• Realistic medium-term capacity building and responsibility transfer should be encouraged: National Household Survey has evolved over 11 years where consultant did 90% of the work to begin with, but now roles reversed.
	• Results monitoring and audits mainly done by international consultants. Need for realistic medium-term capacity building and responsibility transfer to national actors, including Supreme Audit Institution for public funds audits.
The Bank	• Ownership already very high, with all ARTF on-budget, and much of this budget support. Further changes depend on donor willingness to transfer responsibilities.
	• GIRoA needs to make ANPDF/NPPs fundable – few budgeted and implementable concepts presented for funding so far.
	• Concern that MoF capacities limited, perhaps falling, so need to demonstrate capacities in place for taking on more of ARTF financial management. This is particularly important for building trust among donors that GIRoA can handle PFM
	• GIRoA could take more responsibility for strategy and periodic reviews, and do this as Afghans and not out-source to foreign consultants and advisors.
	• GIRoA needs to strengthen own results reporting and be comprehensive – cover both own and ARTF funded activities.
	• Ministers must show stronger commitment with regards to implementation.
Others (CAG, MC, MA, SA)	• A lot takes place at the technical planning phase among GIRoA and Bank staff, so that is where the fundamental ownership should be developed.
	• GIRoA would like more say, but then need to have credible systems and capacities to deliver. *Issue:* How can Bank work better with GIRoA to strengthen capacities and interest in taking on more implementation responsibilities?
	• Need to recognize that ARTF cannot address the lack of funds – this can only be through increased revenue, to move from off- to on-budget, increase aid, tougher prioritization. So need to clarify/specify what issues of flexibility and ownership are.

Government ownership: across the governance structure, along the delivery chain. Given the ARTF's structure and size, there are many entry points for changing roles and responsibilities, as reflected in conversations as well as reports and meeting minutes:

- In the *governance bodies* – the SC, the MC, the SG, and the technical working groups – the Bank and the donors are open to any concrete proposals the Government would like to present. One option was that various meetings – beginning perhaps with the Strategy Group, since this is the one that meets most regularly – be held alternatively at the Bank and the MoF, that agendas be proposed and the underlying documentation (in part) be prepared by the relevant Government bodies etc. The challenge, as recognized by the MoF, is GIRoA capacities and how much time it can allocate to the ARTF. Given the size and importance of the ARTF, both regarding policy development and funding, however, the MoF is interested in stepping up its role and involvement.

- The *representation* and the *topics* for discussion could be defined and presented by relevant GIRoA actors, whether the basic principles for the Financing Strategy, presenting the various NPPs and what the sector programming approach is meant to entail in practical terms, to discussing the gender indicators with the Ministry of Women's Affairs or the monitoring and evaluation policies that the Ministry of Economy, as the responsible body for Government-wide results monitoring, would like to put in place.

- Concerning the *delivery chain* for activities funded – identification, preparation, appraisal, approval, implementation, monitoring, reporting, closure of projects – and *quality assurance* – supervision missions, third-part monitoring, financial reporting, results reporting, audits – partners are interested in seeing a greater role and responsibility taken by national actors.

8.2 Government Management of Projects

Government and project design: obstacles and opportunities. While all projects/programs originate from GIRoA policies and priorities and funding is on-budget, ARTF funded projects must adhere to Bank procedures. The project cycle thus follows Bank standards, and the project design is according to Bank rules. This means that Bank staff assume a dominant role with regards to the preparation of the project, including the documentation that is required: the original project note, the project appraisal document, the program document itself, and all the components that are to be included, such as risk assessments, procurement procedures, financing levels, disbursement schedules, etc. While line ministries historically have had insufficient capacity and sometimes lack of interest in developing this

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Box 8.1: No Objection Letters

One of the Bank's management tools for exercising fiduciary responsibility is the issuance of *No Objection Letters* (NOLs). While project execution is the responsibility of the implementing ministry or other national designated body, the Bank keeps an eye on finances through monitoring procurement and staff contracting. All transactions above a certain value must receive an NOL by the Bank. The NOLs are based on global standards that all Bank TTLs must follow, and the rules and procedures are shared with all implementing partners.

The threshold values for when a NOL is to be issued are defined in the Bank's global risk rating table (table 8.2). The risk rating is done for each project, based on several factors such as the general level of risk in the country, ministerial capacity to implement and quality assure the project, perception of corruption risk in the ministry, etc.

There are four levels of risk, from Low to High, and four forms of procurement that are distinguished: works, goods, consultancy firms, and individual consultants. Each cell in the table shows the values above which so-called *Prior Reviews* must be carried out. When they are approved, the NOL is issued.

Once a request for an NOL has been received, the Bank TTL normally has one to two weeks to process it, and if the request is approved, the NOL should be issued immediately. This timeline is meant to ensure that project progress is not delayed due to procurement matters. In practice, the NOLs are a major source of frustration – to government officials, and Bank staff.

For government officials, the requirement of NOL submissions is a burdensome and time-consuming exercise that feeds into the perception of non-government ownership of the project: officials bristle at the "negative control" Bank staff have on projects that supposedly are a national responsibility. A further argument is that since each project has to submit annual procurement plans, once these have been approved, there should be no need for requesting a NOL for individual transactions, except for particularly complex or large amounts.

What tends to cause delays, however, is that the request for a NOL does not contain the required information, so the TTL must ask for supplementary information. And this process can take months – due to unnecessary details, according to government officials, or due to officials not providing the documentation that they know and should provide, according to Bank staff, since it is typically the same issues that come up time and again.

What increases officials' frustrations is individual TTLs' requirements for submission of NOLs for activities outside standard procurement guidelines, such as for travel, staff hiring, and minor changes in implementation. According to the Bank, TTLs have at times put such requirements in place due to misuse of funds by officials and project staff. On the other hand, TTLs see that some officials submit requests for NOLs on matters that are not required, in part as a preventative measure to avoid complications later on, but also as a means of documenting Bank approval for activities that may be questioned during audits of the project later on.

These issues are expected to become less troublesome as annual procurement plans become sufficiently detailed that most standard transactions do not require an NOL. Furthermore, projects that show good performance may avoid NOLs but rather *ex post* verification. The potential downside to this is that any mis-procurement will then lead to those expenditures having to be fully refunded by the MoF. This means that the MoF will have a strong incentive to go after any such malpractice.

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knowledge, in some ministries that have had several "generations" of Bank support, this knowledge is now much better and the interest in taking on more responsibility for the design has increased. The extent to which such program preparation skills are being developed in the ministries is debated, however. While Bank TTLs feel they work closely with and transfer such insights to their counterparts, many ministry staff experience this as being inadequate, *ad hoc* (not least of all in cases where TTLs change frequently, as has been the case on some projects), and not sufficiently structured. The fact that many TTLs are not based in Kabul and therefore only come when the process requires Bank presence, is seen as a further obstacle to smooth and continuous mentoring. While concrete problems can be discussed and resolved by e-mail or phone, the learning-by-doing on more subtle design issues requires opportunities to discuss and interact. On the other hand, Bank staff are at times frustrated by what they perceive as lack of political support for the design and planning of new projects, so that too much is pushed onto the Bank to work out. This is not made easier by the impression that some ministry officials' interest in the project is less about the overarching objectives of the program and more about accessing resources. Furthermore, since *"quality at entry"* is critical for project performance, for many GIRoA officials a core concern is that *context* is central to this quality being right, and the claim is that contextual understanding in project design is often not always good enough. For Bank TTLs, one issue is finding good consultants who know Afghanistan and are willing to work under the challenging circumstances that Afghanistan represents.

Implementation: GIRoA responsibility with Bank looking over the shoulder. Once the project has been approved, implementation responsibilities are handed over to the respective government body/ies. While there is a lot stronger ownership to the implementation phase, officials often feel they still face some constraints. The first is that they are to implement a program whose design they may not fully agree with. The other is that Bank staff exercise considerable influence due to the continuous supervision missions and the *No Objection letters* required for many financial dispositions (see box 8.1). The *trend* is towards greater ownership and leadership by ministries as own confidence and capacities improve, where the key is seen to lie in locally-approved project design and greater responsibility for implementation, as reflected in comments during interviews and from the survey (see box 8.2).

Table 8.2: Procurement Prior Review Thresholds (USD)

Type of Procurement	High Risk	Substantial Risk	Moderate Risk	Low Risk
Works	5,000,000	10,000,000	15,000,000	20,000,000
Goods	1,500,000	2,000,000	4,000,000	6,000,000
Consultant: firm	500,000	1,000,000	2,000,000	4,000,000
Consultant: Individual	200,000	300,000	400,000	500,000

8.3 Monitoring and Reporting Responsibilities

Government: assuming monitoring and reporting tasks, but when? GIRoA wants more responsibility for monitoring and reporting, a task for which the Ministry of Economy has the central mandate. Donors support this transition, but see this as a gradual process in which the Ministry of Economy and line ministries take on responsibilities over time, with the ARTF acting as quality assurer, to ensure reliability and quality of reports. There should be clarity on how the Government intends to address transparency and impartiality in the reporting. It is also not clear if there is full agreement within GIRoA to take on this task. The implementing line ministries already have monitoring and reporting responsibilities, but there are large variations in how well these responsibilities are carried out. One manager in MoE noted that if monitoring was to become the responsibility of the Ministry, it would have to ensure that the monitoring unit was *"completely separated from the MoE structure if we want them to function independently and report without any influence of the MoE officials"*.

Box 8.2: Local Voices, Differing Concerns

***Ministry of Public Health* (MoPH):** Officials in MoPH noted that they were fully involved in the planning of SEHAT. A committee made up of senior staff from the Ministry was set up to work along with the donors on the planning of the program. This included situation analysis, formulation of the project, the M&E design etc. Their feeling is that their capacity benefitted considerably from this, and that MoPH has been central in the planning and design of SEHAT's follow-up project, SEHATMANDI.

***Ministry of Education* (MoE):** Education has always been a priority within ARTF. While the EQUIP program has funded schools and trained teachers, the RCW has financed teachers' salaries, supporting education across the entire country, including in remote areas where there had never been schools before. The first-phase EQUIP team was established as a PIU, formally inside the MoE but not part of MoE structure. Much of the dialogue with the Bank was with the PIU rather than MoE staff, which MoE officials see as a reason for design and implementation weaknesses that became apparent over time. Part of the reason for the PIU choice was the perceived urgency of getting the program put in place and activities moving on the ground, so the classic "efficiency first, effectiveness second" choices were made. This led to problems such as inadequate surveys leading to poor site selection for schools, inadequate dimensioning etc. – decisions that are having consequences still today, as the SA has discovered. This program organizational approach has changed considerably, however, and while EQUIP II had a more integrated management unit in the Ministry, the follow-on EQRA unit (see section 7.4) is fully incorporated into the ministry structure. Still, one official noted that "*The MoE needs to come up with a system where the projects are planned according to the data from field. The ministry has lost track of its projects. They do not know where they need to build a school and at what capacity. They only respond to requests from communities and MPs*".

Provincial and district officials: Planning and design is centralized in Kabul and therefore not always adapted to the local context. Provincial and district level staff of MoE noted that they are not consulted and that therefore new schools were sometimes too small, not located in the right area given the population pattern, or on the right sites given soil and geographic conditions, etc. Complaints were voiced about the adequacy of the teacher training and the educational materials, and that central ministry officials in general did not listen. This view was shared by local MoPH officials as well, who were not asked for inputs to the design of SEHAT.

Supreme Audit Office (SAO): Building external audit capacity. The SAO today carries out the financial audits of ARTF and IDA projects, but with some external technical assistance. While the SAO has received considerable technical assistance, its capacity remains limited compared to the magnitude of its mandate. The degree of independence and its powers to enforce are also seen as insufficient for it to be able to detect fraud and bring those found in breach of laws and regulations, to justice. The recently established Anti-Corruption Justice Centre (ACJC), which integrates investigative and prosecutorial powers with a separate court for high-profile corruption cases, was established to address part of this problem. Parliament recently also established a Public Accounts Committee, which over time may lend important political support to the external audit function. But links between the SA, the MA, the CBR facility with the SAO for building capacity, integrity and providing political support for a credible and pro-active SAO-led external public audit, remain to be worked out.

Improved statistics for Outcome reporting is needed. One thing is the monitoring and control of activities, performance and outputs, which is primarily a line ministry responsibility. Another thing is to collect the data from various public and non-state sources, carry out surveys and in-depth studies and compile reliable statistics to say something about results at Outcome level. Some donors would like to see the capacity of the Central Statistics Organization (http://cso.gov.af/en) further strengthened, and gradually assume a significant part of the statistical reporting used in ARTF results reports.

Gradual transfer: political will and technical capacities. The SA sees different capacities and varying political commitment to assume monitoring and reporting responsibilities across the line ministries with which they work. The reason some ministries have succeeded in developing good manuals and systems for quality assurance is that they have internal delegation structures with positive incentives for staff to perform well. The SA sees that it would be inefficient to have the same control regime for all line ministries, and that hand-over of responsibilities and tasks needs to be differentiated based on the documented capacities and results achieved in these areas by the responsible ministries.

Box 8.3: Quality Assurance and EQUIP

"The staff in the monitoring department is not independent – they will not take the risk of antagonizing high-ranking officials. They are afraid of losing their jobs if they report shortcomings and corruption cases that will damage the reputation of the Minister or heads of different departments."

"The mechanisms to identify issues have not improved. First, the security situation does not allow us to visit all project sites and schools. Then the available resources in the Ministry are not enough to send individual teams to the provinces. The politics in the Ministry are another barrier - the monitoring staff will not report issues that might involve someone from the leadership."

"The internal monitoring system is weak. The staff are people with old mindsets who are not ready to change their way of thinking – they do not understand the concept of independent monitoring and evaluation. We see that some cases come up because they will defame someone they do not like. Young staff with experience from NGOs or international organizations who have identified problems know how projects are contracted and the powerful relations the implementer has in the Ministry. They know that their recommendation will not improve anything but will instead damage their own situation."

"We do not have a mechanism to resolve conflictual issues. If you take the example of 'missing schools' and the USD 40 million spent, how was this at all possible? What kind of mechanisms are we talking about?"

"Another issue: there is a clear allocation for school maintenance. This is distributed down to the provincial governor, the director for education in the province and the *moustofiat* for disbursement. Nobody takes this seriously – the money never reaches the schools. That's why the Bank needs to do the monitoring."

Source: Interviews with staff in MoE at central, provincial and district levels

8.4 A New Approach

The ARTF Administrator: looking ahead, aligning processes and procedures. At the ARTF retreat with the donors in August 2017, the Bank presented proposals for a number of changes to the way the ARTF is managed and quality assured, largely in line with GIRoA thinking on enhanced ownership as well as donor suggestions for strengthening the role of national authorities:

- New ARTF activities should be developed as part of an NPP, applying sector-wide programming;

- The use of Multiphase Programmatic Approach (MPA) should be applied;

- The Recurrent Cost Window will only provide funding through the Incentive Program;

- The scope of the Incentive Program should be broadened to include overarching institutional reforms, such as gender equality, and not just macro-fiscal policies;

- Promote greater use of results-based disbursements also to the projects;

- Replace the RAP with the expanded ASIST;

- Revise the ToRs for the MA and SA to broaden coverage, scope and intensity of monitoring;

- Carry out more in-depth reviews of specific ARTF projects with a separate annual budget of USD 1 million;

- Mainstream and systematize innovative technologies and approaches for monitoring and reporting on activities on the ground: remote sensing; GIS-mapped MIS data; citizens' monitoring; community scorecards; etc.;

- Comprehensive annual country program and portfolio reviews to discuss both strategic direction and specific funding (re-)allocations with GIRoA, and possible donor participation;

- Share more project quality assurance reporting, such as mission aide-memories, subject to GIRoA concurrence;

- Invite donors to identify areas of particular interest, for more direct engagement in those sectors.

Government ownership: how to ensure longer-term commitment and capacity? All parties to the ARTF want the national authorities to assume greater ownership and leadership for Afghanistan's own development, and thus also for the ARTF funding. The questions revolve around long-term political commitment and technical capacities to plan and implement, and independence and quality of monitoring and reporting. The experience from fragile and conflict-affected states is exactly that institutional permanence is poor, and that political agreements reached with one regime may not be taken as seriously by a subsequent government. A broad-based compact that encompasses all major political forces in the country – not just those currently in power – that lays out a process for handing over responsibilities against agreed-upon benchmarks, is thus what is being asked for. This is essentially an incentives-based transfer of responsibilities, in line with how the ARTF is moving on its financing side. The issue is to find valid and reliable indicators for political commitment, technical capacity and institutional development that the parties believe are useful for transferring the various levers of decision making to relevant national bodies.

8.5 Findings and Conclusions

Agreement on stronger Government ownership, divergence on what this entails. All parties would like GIRoA to assume greater leadership and ownership of the ARTF, from the design of the financing strategy down to the quality assurance of activities funded. This includes a clearer role and stronger voice in ARTF policy and management bodies. The consensus is that this is largely for GIRoA to decide and step in whenever it feels ready and can show commitment and capacity.

Managing activities: building capacities through partnerships: A key issue is building ministry capacities to design, implement and monitor ARTF-funded activities. As PIUs gradually disappear and tasks are taken over by the ministries, the *structural* conditions are in place. The challenge is to ways to implement the new approach, considering Bank international staff's limited in-country time.

The new approach: a top-to-bottom review of "doing business": The ARTF partners have over the last years discussed the challenges for improving ARTF performance, from assessing the entire delivery chain of ARTF-funded activities to the ARTF management and decision-making structure and process. The new Partnership Framework and Financing Program is to provide the parameters for such a revised action plan that is based on the Government's priorities while respecting the premises for donors providing the continued funding of the ARTF, under World Bank stewardship.

9   Summing Up and Looking Ahead

The review is to assess and analyze ARTF performance, and subsequently provide suggestions for follow-up actions. This chapter looks at what the partners themselves have identified as areas for improvement, before presenting some lessons learned and the team's recommendations.

9.1   What Stakeholders Can Improve

ARTF partners: many areas with potential for improvement. Partners to the ARTF were asked what they could do to improve the efficiency and effectiveness of the fund. The list of comments provided in table 9.1 below is quite comprehensive. While the review team does not think all are appropriate or correct in the issue they address, they have been included to reveal perceptions that exist, and which may be underlying some of the frustrations between the parties. At the same time, they show an interest and commitment to the future of the ARTF that is very encouraging.

Table 9.1: How the Parties Can Improve own Performance for better ARTF Results

Stakeholder Group	
GIRoA	- Fight corruption - Increase its understanding of how ARTF as project funding mechanism functions - For governance bodies to function effectively, make sure newcomers have followed the ARTF course before they are sent to participate in ARTF meetings - Increase its dialogue with and delegation to line ministries - Get line ministries more involved in ARTF platforms and discussions - Make sure line ministries delegate authority and install functioning incentive structures for staff to achieve results - Mobilize more own revenues, do not treat ARTF funding as a pillow to lean on - Ensure centralization of major procurements to Presidency does not undermine legal framework, weaken capacity for procurement developed by the Bank - Maintain focus on strengthening internal and external auditing - Address efficiency of expenditure due to non-compliance and corruption. Address the ineligibility with less funding when guidelines are not respected - Develop project proposals that can *disburse* – be more strict on planning and readiness criteria. - On payroll, look into bio-metrics as a way of controlling to move to zero ineligibility on the civilian side. Any ineligible claims should lead to an equivalent reduction in that ministry's disbursement ceiling – non-compliance should have clear and immediate consequences. - Improve its communication with the ARTF - Higher level of involvement from the line ministries in providing responsible budgeting, in order for the Bank to transfer more ownership to the Government. - Afghan ministries should show the commitment that they want more ownership
Donors	- Prepare before meetings and send people with adequate technical knowledge and authority to make decisions/propose recommendations. Agree/harmonize with HQ and likeminded donors ahead of meetings. - For outcomes to improve, donors must also be willing to take risks. - Ambassadors have different delegated aid authority from their capitals. There seems to be room for either tighter linkages between ARTF and the MFAs/HQs or closer coordination between the ambassadors and their capitals. - Maintain focus on development discussions in the SC, not just politics and security - For governance bodies to function effectively, make sure newcomers have followed the ARTF course before they are sent to participate in ARTF meetings - Improve contextual understanding and adjust expectations accordingly.

	• Ensure criticism is constructive and relevant: the gap between expectations and results may in part be due to operating environment rather than poor implementation
	• Need to understand the role and limitations of the ARTF.
The Bank	• Engage more actively when issues, challenges and problems occur.
	• Share aide memoires and information on implementation support missions – parties want to be better informed, could participate in some issues and technical discussions at stakeholder level.
	• Prepare and structure meetings to allow participants to prepare. Manage meetings with clear focus on purpose of discussion, such as advice to other ARTF bodies.
	• Report regularly on Outcome-level.
	• Make ARTF courses for newcomers (GIRoA, donors) available online, require newcomers to follow the courses before they participate in ARTF meetings.
	• Improve communication with the GIRoA, more broadly across ministries
	• Change funding policies so can effectively reallocate funds across activities.
	• Increase visible engagement and interest in project implementation
	• Improve presence of the TTLs in Afghanistan so they visit projects more often and have a more hands-on approach.
	• Substitute "capacity building" where external consultants come and go, with people who are in-country, for a more continuous role in program implementation
	• Provide better guidelines for monitoring reports from GIRoA and its ministries
	• Step back somewhat in management of programs to give GIRoA more ownership and the Afghan Government can be a bit more proactive in taking steps necessary for them to take ownership.
	• Would like to see more steer from Washington – clearer messaging to the field about what a TF agreement implies
	• Do not make the ARTF the solution for everything – stick to your mandate – don't allow mission creep!
	• Get greater clarity on what donor agendas are and what they can agree and give space for GIRoA.
	• Be more transparent on the challenges faced in the implementation of the projects.
	• Provide funding to the National Statistical Bureau to enable them to produce statistics on outcome level.
	• The Bank needs to be more listening to concerns over non-performing activities.

9.2 Some Lessons Learned

ARTF: the most strategic MDTF. The data on MDTFs under Bank administration show that the ARTF remains by far the largest (table 3.2). The ARTF is also highly strategic, providing not only predictable and large-scale core funding to a large country under stress, but also constituting an important institutional "pillar" through its transparency in decision making and reporting, and accountability to donors and national authorities. While these last areas require further development, the ARTF has established and maintained the arenas and relations of trust that enable analysis and dialogue for developing and agreeing better solutions. While Afghanistan has several coordination instruments in place – the biennial International Conferences abroad; the Senior Officials meeting in the intervening years; the Joint Coordination and Monitoring Board and its numerous working groups – the ARTF still represents an important and operational meeting place for key donors to Afghanistan. There are some challenges on the horizon, however, with two large budget support funds discussed bilaterally between donor and GIRoA. The United States' *New Development Partnership* (NDP) passes through the ARTF via the Ad Hoc Payment facility, but with the disbursement clauses negotiated directly between the US and GIRoA. The EU's *State-building Contract* (SBC) is fully managed by the EU with no formal links to the ARTF. Some of the reasons for these arrangements have to do with donor concerns and priorities that the ARTF is not set up to address, but nevertheless ought to be able to find solutions to, such as visibility of the relative importance of the various donors. There are several reasons why the ARTF may

wish to discuss this with the funding partners and GIRoA. One is that there is a trend among donors to "bilateralize" multilateral aid by wanting to have more direct control over funding[41]. This is in part a response to criticism by various parliaments regarding lack of accountability and reporting of results – an issue that is discussed above (chapter 6). Another is that such fragmentation weakens one of the ARTF's main achievements, that of reducing transaction costs for both the Government and donors[42], as presented in the previous ARTF review (see http://www.artf.af/images/uploads/ ARTF_External_Review_2012.pdf). As will be argued below, the ARTF may now be facing its most important challenges as a joined-up mechanism for supporting systemic reforms in Afghanistan, and the more financial and political resources it represents, the greater the impact is likely to be.

ARTF: an innovative mechanism. The ARTF has evolved and adapted to changing circumstances, developing more robust organizational solutions and innovative financial approaches. ARTF governance has changed, with a clearer role and stronger voice for GIRoA in decision making bodies, and the introduction of a Strategy Group and specialized working groups for tackling priority concerns. Funding has shifted, with the RCW moving from a simple reimbursement mechanism to incentive-based disbursements based on public sector reforms, particularly in the PFM field. On the projects side, the trend is towards larger programs that more and more are driven by national NPPs; a focus on priority sectors; and with some of these funds also becoming incentives-based disbursement rather than inputs-determined. Alongside these general funding patterns, the ARTF is continuing its support to capacity building in the public sector, though with considerably less success so far, but with a fresh attention to the issues and focus on developing more appropriate responses. The ARTF has developed an overarching reporting system through its Scorecard, and while the tardiness of the 2016 scorecard has come in for criticism, the tool itself is highly appreciated and the promised improvements are eagerly awaited. Third-party monitoring has evolved from a document-based verification of eligibility of expenditures into broad-based and in part on-the-grounds validation of expenditure data, as well as project-based supervision including some community-based monitoring. The RAP has generated some additional insights but primarily provided better data for new initiatives, thus addressing only part of the intention with this facility. But it can serve as the basis for the more ambitious ASIST facility that is to also support NPP development and implementation. Finally, GIRoA put forward an ambitious agenda for change that the ARTF Administrator largely supports, as presented at the consultative retreat for the donors in August 2017. Combined with the list in table 9.1, ARTF partners have thus identified a comprehensive overview of areas for improvement.

The ARTF agenda: change membership and scope? Suggestions have been made to include new donors in the ARTF, such as China, India and Muslim states. There is no reason why outreach activities to these actors should not take place, as long as GIRoA is comfortable with this. Constraints these donors might have on the use of funds need to be assessed, however, as the ARTF is already challenging its own boundaries: Japan has *de facto* earmarked its funds, and the US pass-through funds do not adhere to the same publicly available conditions as ARTF funds. Another suggestion has been to extend ARTF funding to humanitarian and emergency needs, or using the ARTF as a pro-active peace and

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[41] A 2017 evaluation of the EU's *Joint Programming* approach notes, paradoxically, that its main rationale is to improve coordination, alignment and harmonization, in line with the Paris Declaration of 2005 and the recent Global Partnership for Effective Development Cooperation - see https://ec.europa.eu/europeaid/evaluation-eu-joint-programming-process-development-cooperation-2011-2015_en .

[42] As an example, the EU's PEGASE fund in Palestine, while basically is for the EU's own budget support but also open to EU member states' bilateral funds, has a very detailed vetting procedure for disbursing funds, which is more costly than the administration of the Bank-administered Palestinian Reconstruction and Development Plan Trust Fund (PRDP-TF). While there is considerable dialogue and coordination between the two funds, the Palestinian Authority is clear that having two different funds is not their preferred situation.

reconciliation instrument. This should probably only be done within the confines of existing instruments such as Citizens' Charter at local level since the Bank does not have much experience with or systems for managing such financing and working with such issues.

Capacity building: developing a strategy. The ARTF spends considerable resources on activities that can be classified as Capacity Building, yet it has not developed a capacity building *strategy.* The ARTF supports *institutional* changes in the public finance sector through new laws and regulations; it has developed *organizational* capacities through strengthening instruments, procedures and organizational re-alignments for carrying out key PFM tasks; and it has built individual *human resources* through training, on-the-job learning and various forms of mentoring, in part through technical assistance projects, but also through the practical work of the Monitoring Agent on the ground (see Annex box E.1 for explanation of these terms). Some training *institutions* are being supported, such as that for national accountants, so a supply of capacities to the market for skilled labor in some fields is being developed. The new CBR project is taking a critical look at capacity building approaches, where the IARCSC intends to carry out functional reviews of the ministries that are to be supported. However, a more medium-term program with expected performance targets has so far not been developed, though the experiences from the FPIP in terms of how large-scale organizational and institutional reforms can be carried out will be important. Numerous evaluations and studies of development interventions have identified capacity building as the area where results are most disappointing, especially in fragile and conflict affected situations (section 3.1)[43]. However, one useful step may be to look at some of the conceptual tools that have been developed (see Annex E).

Government ownership: agreement in principle, only implementation missing…. There is agreement and encouragement from all parties that the Government can and should take a greater role in the ARTF – from planning and resource allocations, to identification, preparation, implementation and monitoring of activities, to quality assurance and reporting. As seen by Government, what is holding the process back are the considerable bureaucratic hurdles that a Bank-administered instrument still need to comply with. For the Bank, the Government still needs to be clearer on its priorities and more operational in its proposals, and allocate the necessary own resources to take on whatever tasks and responsibilities it wants, and thereby in practice show and take on the ownership. Donors would also like to see these steps happen, with the condition that quality assurance through independent and verifiable data is provided. The way forward is therefore largely seen to be the GIRoA showing in practice that change will improve the role and space for Government, while addressing the fiduciary responsibilities that donors and the Bank, respectively, are accountable for to their governing bodies.

9.3 Addressing Governance and Corruption

Good governance and political economy: facing reality. Donor assistance usually has 'Good Governance' as an objective, understood as a public sector that delivers efficient and effective services based on transparent decisions taken by accountable actors, and now operationalized in the form of the SDGs. To achieve this, capacity development is seen as key: the public sector must have the skills, the organization and the resources to deliver. Yet when one listens to the voices on the ground across Afghanistan, such as those in the ministries of education and public health quoted in this report, and the studies on working in violent and contested circumstances (section 3.1), the lack of capacity is not

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[43] In the case of the World Bank, a major study that looked at the experiences from 10 years of capacity building across Africa resulted in the then-World Bank Institute being tasked to develop an approach to capacity building for the Bank and the donor community in general, which was eventually presented at the Busan Conference in November 2011, and which is shown in Annex E here. For the evaluation report, see https://openknowledge.worldbank.org/bitstream/handle/10986/7468/343510PAPER0AF101OFFICIAL0USE0ONLY1.pdf?sequence=1&isAllowed=y

the key stumbling block to delivering expected results: it is the reality of the political economy. Elite capture of local instruments of the state, and actual control of territory and resources, often determines what will or will not happen locally. The demands for rent sharing and bargaining that takes place, not just in Taliban areas, is the single most important barrier to development. This distorts markets, generates high transaction costs, and the volatility means uncertainty costs become very high. These issues are mainly for national actors to address, but the ARTF should have a good understanding of the political economy and thus a richer set of tools with which to address this reality. This can in part be handled through the conflict-sensitive approach to programming, noted above, but more importantly by addressing corruption and local rent-seeking in a more comprehensive manner. The basic concepts are introduced in box 9.1, while the Government's recent anti-corruption strategy is summarized in box 9.2. The revamped Joint Anti-Corruption Monitoring and Evaluation Committee is presented in box 9.3, and the United States' SIGAR as an example of a body that is set up to provide more rigorous verification and audit is briefly discussed in box 9.4. The ARTF Administrator's proposal for stepping up third-party monitoring will be looked at in light of this.

Box 9.1: Local Taxation, Rent Sharing, and Corruption

The concept of Rent Sharing (section 4.4, box 4.3) is used to explain why payments to local elites may be necessary in situations where the state is not able to enforce its monopoly on the use of force. The question is if this concept is simply a way of justifying and being polite when talking about corruption. Clarifying this is important since corruption is one of the key issues that the Government is asked to address by both the donors and the Bank.

In a situation like that of Afghanistan, where the presence of central authority is weak or in practice non-existent in parts of the country – not necessarily due to conflict but because the state offers no services and thus has no presence – there is still a need for authority and basic law and order. While local issues may be adjudicated by bodies like the local *shura,* there is also a need for defense of territory, which in many cases is taken on by warlords. They raise local taxes (or extort revenues) to pay for their militias. Depending on the exact nature and scale of these local taxes, they may be accepted to a greater or lesser extent as fair payment for guaranteeing security or other services – patron-client relations can be quite extensive.

Rent sharing is linked with elite capture of revenue streams. Some form of economic surplus – a rent – is identified, either because a resource like opium generates such rents, or because resources are provided from outside the community and can be captured on their way to the intended beneficiary object. This is what is claimed happens to much of O&M funding for schools and health facilities (box 8.3, last quote). By controlling the local public sector systems, or through intimidation, shares of these resources are skimmed off the top – and then often shared among different segments of the elite: the head teacher takes some of each teacher's salary, but has in turn to share some of this with the district education officer or provincial authority.

Corruption, classically defined as "*abuse of entrusted authority for personal gain",* is therefore difficult to distinguish from such rent sharing. What makes a difference, is local context. A payment may be seen as unavoidable due to power relations, or worth it in light of what is provided in return: access to health services or education, for example. Once power relations shift or the perceived value of the access changes, the acceptance levels also move.

One way of changing power relations is through community mobilization and local empowerment. Among other things, this increases understanding and knowledge about the nature of rent sharing and corruption, allowing for more informed opinions and challenges to existing revenue extraction. In some localities, it may be necessary to pay the local strongman to mobilize the *shura* to let children go to school. In other places, a local CSO might be hired to carry out the same mobilization. The results may turn out to be quite similar, pointing to the need for rethinking what these alternative ways of rent-sharing should be labeled.

There are therefore both "objective" and "subjective" dimensions to how such payments are perceived. While some local taxation, even though not part of a country's formal revenue system, will often be tolerated due to local conditions, the ability to stand up to elite capture and the rent extraction determine where boundaries of acceptance go. While rent sharing is often unavoidable in areas of conflict, it does not mean that it should be tolerated and accepted – but defining the boundaries of acceptance and pushing them backwards is a slow process that is best undertaken by those affected by them. What central authorities and external actors can do, is provide the tools, the training, the support and the resources to help local communities address this problem.

Addressing corruption: the complexity of a fragmented polity. The high levels of corruption in Afghanistan is a manifestation of the above described reality of power relations. Corruption is deeply embedded, as shown in the case of the education sector (boxes 8.2, 8.3, 9.5). Afghanistan is taking steps to address the situation. The Community Development Councils (CDCs) established in the National Solidarity Program, are carried forward in the Citizens' Charter, also in urban areas. Empowering local communities to manage resources directly is one way of improving accountability. This is also a reason for the school *shuras,* where stakeholders are to discuss resource (ab)use. The Supreme Audit Office is being strengthened, the Anti-Corruption Criminal Justice Centre has been established to combat high-level corruption at the center of power, and steps are being taken to strengthen internal audit functions across ministries and agencies. Reform efforts were brought together in the Afghanistan National Strategy for Combatting Corruption (October 2017), which sets forth a set of priority themes that rest on five pillars: (1) political will and empowering reformers; (2) ending corruption in the security sector; (3) replacing patronage with merit; (4) prosecuting corruptors, and (5) following the money (box 9.2)

Box 9.2: Afghanistan National Strategy for Combating Corruption

GIRoA's anti-corruption strategy acknowledges factors that have enabled corruption to grow, such as fragmentation of oversight and control enforcement functions; lack of well-developed political institutions that has led to a political model of using rents to reward supporters; lack of incentives for reformers; and a situation where entire sectors operate on informal rules that prioritize opportunities for making money over delivering benefits to the public.

The strategy rests on the five pillars noted in the text. For each pillar, GIRoA outlines priority actions that it will pursue between 2017 and the end of the administration in 2019/20. Specific action plans include:

- Facilitate the exclusion of those convicted of corruption from public service;
- Provide guidelines and audit senior security-related appointments and promotions;
- Establish a police ombudsman to handle complaints against the police;
- Revise and approve laws and guidelines required for institutionalizing a transparent civil service system;
- Advertise all public sector positions publicly, and ensure competitive selection;
- Centralize training, examination, certification for common functions (procurement, PFM, HR development);
- Revitalize the civil service training center and curriculum, with at least 5,000 inductees taking core courses in public administration, civil service gender policies, and anti-corruption;
- Introduce citizen feedback mechanisms into the Civil Service Commission;
- Create civil society and media oversight mechanisms to monitor major recruitment drives, and systematically overhaul teacher recruitment.
- Identify and revise as needed laws related to anti-corruption;
- Create internal justice sector Appointment Commissions to oversee appointments and prevent the interference of others, including executive branch and legislative branch, in the affairs of the justice sector;
- Consolidate all anti-corruption bodies except MEC, under the office of the Attorney General;
- Implement the Fiscal Performance Improvement Program, FPIP (i.e. budget reform roadmap) by 2019/20;
- Strengthen the Supreme Audit Office through a revision to the Supreme Audit Law; deploy150 trained auditors to the Supreme Audit Office, strengthen the internal audit offices of line ministries; train 200 internal auditors at key security, expenditure and revenue ministries;
- Starting February 2018, enforce the new Penal Code which criminalizes corruption offences in line with the UN Convention Against Corruption, UNCAC.

Realizing that implementing these measures across all government ministries and entities is an ambitious task, the Strategy prioritizes the 9 ministries that account for about 70% of revenue and expenditure. Ministry anti-corruption action plans are being prepared/revised, and the 9 ministries are to launch these plans by the end of 2017.

Afghanistan's 2018/ SY 1397 budget is being billed as an "anti-corruption" budget, and its implementation will be an important step by national authorities for addressing this challenge.

The ARTF: Relying on third-party monitoring (TPM): At the August 2017 retreat with ARTF partners, the Bank not only proposed to double the budget for the MA and SA, but also to *"mainstream and systematize … bottom up approaches (community scorecards, citizen reports, grievance redress mechanisms)"* that would provide local actors avenues for transmitting their concerns to higher levels for action, and presented an Action Plan with a number of components:

Box 9.3 The Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)

MEC was established by Presidential Decree in 2010 as a tool for the High Office of Oversight and Anti-Corruption, in order to be in compliance with the UN Convention against Corruption (UNCAC). The decree mandated that "*The Committee is required to assist governmental organs in determining effective development benchmarks and, with the necessary monitoring and evaluations, provide six-months report to the president, national assembly, international community and the public regarding activities on fighting against corruption at the national level as well as on assistance of the international community and donors.*"

In September 2016, a new Presidential Decree changed aspects of the MEC, including that it should consist of six national and international experts, where national experts are appointed by the President and the international experts by the international community but approved by the President. MEC is supported by a technical secretariat of national and international staff, divided into two departments: (i) Research, Reporting, and Communications, and (ii) Monitoring and Evaluation and Vulnerabilities to Corruption Assessments.

MEC produces quarterly and bi-annual reports, as well as *Vulnerability to Corruption Assessments*, such as for Pharmaceutical Importation, Ministry of Education's Teacher Recruitment practices, Land Distribution Process for Repatriates, and the Attorney General's Office. Recently the MEC has begun ministry-wide *Vulnerability to Corruption Assessments*, the first of which was for the Ministry of Education, MoE (see box 9.5). Additionally, MEC provides reviews of ministries' Anti-Corruption Plans, and monitors progress in implementing these.

The budget of the MEC is provided by the international donor community, and is about USD 2.8 million a year, but with additional budgets required for the larger in-depth reports such as the one on the MoE – see www.mec.af.

- *Increase Project Coverage:* SA covers five larger ARTF-funded projects that account for almost 50% of current net commitment. The Action Plan aims to add some remaining larger projects, including the new health project, which could bring coverage to around 80% of total net commitment.

- *Improve sampling and site selection:* The Plan aims to introduce a better sampling strategy with a minimum level of statistical representativeness without increasing the number of site visits. Additionally, for the RCW, the Plan will explore the following options: 1) request MA to increase its geographic reach at reasonable additional cost; 2) consider opening a bid with another firm with better capability to deploy staff on the ground, especially in relatively insecure areas; or 3) possibly combine desk-based document reviews by MA and field-based physical verification by SA.

- *Innovate with multiple means of data collection:* In addition to expanded use of participatory monitoring by citizen monitors, and aerial and sensor-based remote monitoring, the SA aims to use "rolling" visits as a cost-effective way of collecting data to a succession of locations, and monitoring all project sites/activities in those specific geographic areas ("geographic approach").

- *Introduce Risk-based Sampling for additional field level scrutiny:* The Action Plan aims to introduce a secondary tier of risk-based sampling for additional field-level scrutiny. The objective is to complement the sample-based monitoring with targeted inspections of potential problem sites.

Box 9.4: Special Inspector General for Afghanistan Reconstruction, SIGAR

In 2008, the United States Congress established SIGAR to oversee the effective and efficient implementation of US-funded programs and projects, whether through USAID, the State Department or Department of Defense. The *Financial Audit Division* conducts forensic reviews of reconstruction funds, somewhat similar to the ARTF MA. These are to identify anomalies that may indicate fraud. The *Inspections Unit* performs the function of the ARTF SA, with quick-impact assessments to determine whether infrastructure projects have been properly constructed and are being used as intended. Finally, the *Performance Audits Division* provides oversight of programs and activities, and makes recommendations for improving efficiency and effectiveness. These audits range from assessments of program direction to narrower examinations of specific contracts or aspects of contract and program management – see https://www.sigar.mil/.

SIGAR also has an *Investigations Directorate* that conducts criminal and civil investigations relating to programs and operations supported by US funding. It is to prevent and detect waste, fraud, and abuse through criminal prosecutions, civil actions, forfeitures, monetary recoveries, and suspensions and debarments.

- *Incorporate Fraud and Corruption Risks*: For the IW, the SA would incorporate monitoring approaches that directly address fraud and corruption risks based on project-specific vulnerability assessments, and the MA would adopt an explicit forensic audit approach.

- *Integrate MA and SA:* The Action Plan will explore the viability of integrating MA and SA in a single contract or otherwise improve coordination between them, as currently they operate separately and independently under separate contracts.

ARTF: Developing a comprehensive approach to corruption? The ARTF has elements in place for addressing corruption that are also in line with GIRoA's strategy: (i) support to and activities to empower actors combatting corruption at local levels; (ii) strengthening monitoring, evaluating and enforcement bodies at the center; (iii) providing systematic training, selection and improved management in core public services, (iv) supporting the comprehensive FPIP reform process. While FPIP does not talk about corruption, the FPIP focuses on efficient and effective use of public resources through measures that are to reduce vulnerabilities to corruption in the PFM system. But while GIRoA's 2018/ SY 1397 national budget bills itself as an anti-corruption budget, the ARTF does not have a systematic approach, either for the ARTF as a program or in the individual activities funded. The MA is validating eligibility, not carrying out forensic audits to uncover corruption. The SA is verifying that infrastructure was built, but is not set up to capture that staff is contracted based on nepotism (box 9.5).

Box 9.5: Corruption in the Education Sector

MEC just released its report on vulnerability to corruption in the education sector. It looked at issues ranging from bribes to modify school certificates, to MoE-level issues such as corruption in school construction and textbook distribution. However, the most serious issue that was identified is the widespread, country-wide appointment of teachers on the basis of influence, nepotism and bribery, not on the basis of merit. As the single largest employer in the country, with 262,000 staff, MoE inevitably is a prime target for those wishing to find positions for friends, relatives, colleagues and the children of colleagues. Thus, the main problems are not procurement or ghost teachers, but a dysfunctional system that does not contract the best qualified candidates. As a consequence, according to the MEC report, "*communities have comprehensively lost faith in the system*". Other findings:

- 75% of the graduates of the Teacher Training Colleges are unable to get work as teachers, presumably largely because of the nepotism in teacher contracting.
- There appear to be very few reform-minded officials who are either willing or able to bring reforms within MoE.
- Inspection, audit and oversight systems are ineffective or lacking.

Source: MEC (2017), Ministry-wide Vulnerability to Corruption Assessment of the Ministry of Education. Kabul, October

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Addressing corruption: an ARTF approach? The Bank's proposed Action Plan is a major step in the direction of addressing the corruption challenge. But, in the view of the review mission, this is not sufficient for addressing this complex issue. On the one hand there is a need for accepting and understanding the "shades of grey" that corruption and rent-seeking constitute within the many political, economic and social realities that is Afghanistan today. While one should not accept and excuse corrupt practices, one should also be careful not to assume that all patron-client relations and rent-seeking agreements are corrupt – they may often constitute what is possible and acceptable under challenging circumstances. Where acceptable behavior ends and the need for corrective intervention begins is for national authorities to define and local actors to decide, so this is an issue that requires continuous monitoring and dialogue. On the other hand, the ARTF as a program needs a more structured approach to identifying resource abuse and those responsible. Simply merging and upscaling MA and SA functions is not likely to address this, since their skills and strategic objectives do not address corruption.

Combatting corruption: options for the future. The ARTF, as the largest source of grants-funding and congregating the most important donors to Afghanistan, is in a unique position to provide long-term and sizeable financial, technical and managerial support to processes and actors that are addressing corruption. The ARTF needs to carry out a comprehensive diagnostic of the issues, preferably in partnership with national bodies that are already engaged in this field, such as MEC (box 9.3), Integrity

Watch Afghanistan (https://iwaweb.org), Afghanistan Research and Evaluation Unit (https://areu.org.af), and others, in addition to the public oversight and control bodies already mentioned. The ARTF should presumably have a focal point for this work, in line with the gender focal point, but might consider linking up with a professional anti-corruption knowledge center such as the U4 (https://www.U4.no) or MEC. The basis for the work could be an annual workplan discussed and agreed by the Strategy Group, and where more in-depth research funded over the upcoming ASIST facility could provide the basis for designing and improving this work over time. The ARTF partners have signaled a willingness to double the budget for quality assurance work, so combined with some targeted funding from ASIST, the ARTF partnership should be able to provide a strong and knowledge-based contribution to the Government's efforts at containing and reducing corruption. At the project level, ARTF could assist GIRoA implement specific components of its anti-corruption strategy, for example through the EQUIP/EQRA project help "*systematically overhaul teacher recruitment*", and other similar possibilities exist in the other fields.

9.4 Conclusions and Recommendations

In a challenging and rapidly changing context, the ARTF remains a critical arena for joint analysis, discussion and decision; a mechanism for directive, prioritized collective action; a cost-efficient tool for channeling financial and technical support to the Government's priorities; and an enduring commitment and partnership with Afghanistan's future that allows and invites critical assessments of choices ahead.

Like all complex bodies, it faces challenges and needs for adjustment at several levels. Table 9.1 presents issues that ARTF partners feel should be addressed. The review team's Recommendations below focus on more general concerns, grouped into four thematic areas: ARTF governance structure and management; financial management; results monitoring and reporting; and capacity building. The team has not prioritized these, since this should be discussed by the partners on the ground, and ultimately decided by the ARTF Steering Committee.

1. *ARTF Governance Structure and Management:* For the world's largest and longest running MTDF to work efficiently and effectively, the team recommends that the Bank as the ARTF administrator, in consultation with its donors and GIRoA, consider the following steps:

    a. Provide a rolling annual/semi-annual indicative calendar of events for the core bodies (SC, MC, SG), with agreements on better defined agendas; clearer linkages SG to SC; better preparations for meetings with documents available at least one week in advance.

    b. Strengthen the strategic role of the GWG by addressing the issues raised in the November letter (see box 4.1), and put in place the required formal linkage to the SG.

    c. Consider establishing better linkages between the SC and High Development Councils.

    d. Make the ARTF introduction courses for donors and GIRoA staff compulsory and on-line.

    e. Encourage, and coordinate with, GIRoA, to transfer to the extent possible, the ownership and responsibility of the agenda-setting, preparation, and, security permitting, hosting for the various governance bodies, provided that GIRoA is willing and able to take on such a responsibility.

    f. As part of this plan, clarify/amplify roles of other parts of the Government, such as the Ministry of Women's Affairs in the GWG, Ministry of Economy for results and monitoring, and the line ministries roles and involvement in the ARTF decision-making bodies in general.

    g. Develop the proposed ARTF Anti-corruption Action Plan to contain (i) a diagnostic of the concrete vulnerabilities to corruption that ARTF-funded activities face, (ii) identify RCW and project-specific steps to address vulnerabilities, (iii) establish links to national bodies – public

and non-state – working in the field of anti-corruption to both benefit from their work and potentially support their work, (iv) define the roles and responsibilities of the MA and SA within this field, (v) establish an ARTF focal point responsible for monitoring and reporting on the ARTF's anti-corruption work on a regular basis.

h. Consider roles and responsibilities of the donors, and in particular how donor capacities in their respective capitals can be engaged in ARTF processes, by (i) more use of video-links, (ii) linking ARTF events to international meetings (biennial International Conference, in-country Senior Officials' meetings) for more policy-level engagement, (iii) have donors inform well in advance of relevant HQ visits by policy or technical staff.

2. ***ARTF Financial Management:*** The ARTF should develop greater flexibility regarding reallocations of funds, where the ARTF Partnership Framework and Financing Program (PFFP) should provide rolling three-year fiscal frameworks that align with ANPDF priorities and identified NPPs. To achieve this:

a. Annual portfolio reviews, timed to feed into the Government's budget process, should both look at the RCW incentive program and project/program funding. For IW funded projects, the budget for the coming year should be critically assessed, to free up excess funding and maximize possibilities for additional fiscal space;

b. Multiphase Programming Approach (MPA) should be applied to eligible programs with more than a three-year time horizon, where subsequent phases are part of the portfolio review;

c. Incentive based project disbursements should be applied more broadly, providing funding that is less inputs-determined, adding further fiscal flexibility for GIRoA;

d. Where the portfolio reviews identify unsatisfactory performance and GIRoA wants to transfer funds to other approved activities, this should first be formalized in GIRoA's budget process, and the ARTF Administrator should ensure smooth processing of the subsequent necessary changes within the ARTF;

e. The *Ad Hoc Payments* facility should be maintained, but the conditions for all pass-through payments should be publicly available and harmonized with those for ARTF financing;

f. The PFFP should provide specific gender equality and anti-corruption objectives for programs to be funded, ensuring funding levels that make foreseen results realistic and achievable.

3. ***ARTF Results Monitoring and Reporting:*** The ARTF has a comprehensive monitoring, reporting and communications strategy that covers results tracking from project activities to overarching ARTF results. The ARTF Scorecard is the central instrument, innovative and comprehensive, though should provide more information on Outcomes. External reviews and evaluations are undertaken, but not to the extent one would expect for a program that disburses USD 800-900 million/year. With the new reporting officer in place, the ARTF should:

a. The ARTF Scorecard should be structured as suggested: produced by calendar year with mid-year reporting on Outcomes, presented at the latest three months after the reporting period has ended, include more indicators, and more linkages to the SDGs;

b. Do more external reviews of larger programs and projects, with focus on value for money but also qualitative and distributional Outcomes and Impacts, applying flexible methodologies (case studies, Most Significant Change), involving local knowledge centers;

c. Support systematic strengthening of community-based reporting, and their linkages to relevant authorities (community scorecards, local monitors, complaint mechanisms, whistle-blowing/ grievance redress mechanisms). Have MA/SA verify and support the development of such systems when and where they carry out on-the-ground verifications;

d. Ensure that all ARTF funded activities, current and future, have a conflict sensitive design, and that all reviews/revisions contain a conflict analysis update;

e. Define the indicators and set monitorable targets for important cross-cutting dimensions: gender equality; conflict sensitivity, anti-corruption efforts; use where possible indicators from the OECD-DAC work on SDG indicators; apply where relevant Central Statistics Organization data;

f. Coordinate reviews of ARTF-funded activities with bilateral actors engaged in that sector; develop annual review/supervision mission calendars for minimizing costs to GIRoA, opening possibilities for more broad-based/ joint quality assurance activities;

g. Given the size of the ARTF and the volatility in Afghanistan, commission external performance reviews of the ARTF every three years, as input to the preparation of the PFFP;

h. Review with GIRoA the national monitoring and evaluation structures and capacities, and review with Government if and how the ARTF can contribute to developing these.

4. *Capacity Building:* ARTF should develop a more comprehensive capacity building strategy that could guide the significant and important capacity building activities being funded:

a. With GIRoA, the IARCSC and perhaps the UN, develop a comprehensive Capacity Development strategy for the public sector, based on a Theory of Change that will allow for hypothesis testing and improvements over time;

b. Track the FPIP process closely, as this comprehensive reform process has the potential for great success as well as failure, so it is important to track lessons for the future;

c. With the next phase CBR, consider taking a broad labor-market approach: (i) put priority on skills that the public sector needs across administrative boundaries (accounting, IT management, PFM, procurement etc.) – *the supply side,* (ii) carry out functional reviews of key public bodies that are to be supported – *the demand side,* (iii) ensure hiring more females; (iv) do a systematic review of public training institutions, in particular how core institutions like ACSI can support, monitor, address consistency, completeness and comprehensiveness of public sector skills upgrading; (v) develop a 3-5 year program for rationalizing and getting a national public capacity building system in place;

d. Explore options for links to similar institutions in the region to strengthen own capacity programs and systems through institutional twinning, peer reviews, particular skills contracting, etc.;

e. Continue the work on public pay reform to lessen the gap between CBR/National Technical Assistants wage scales, and regular pay and grade salaries.

Annex A: Terms of Reference

The Afghanistan National Peace and Development Framework (ANPDF) marks the start of a critical phase in Afghanistan's development, where the focus will be on moving from aid dependency to achieving self-reliance. This will require building of a broad-based, productive economy to create jobs, coupled by strategic investments in infrastructure, human capital, quality service delivery, and technology. Actions to improve good governance and reduce violence will also be critical to creating the enabling environment needed to achieving these development goals.

Against this backdrop, and in consideration of the 2015 Self Reliance through Mutual Accountability

Framework (SMAF) Commitment # 32 where it was agreed to conduct a review of the ARTF, the Government of the Islamic Republic of Afghanistan (GIRoA), and ARTF stakeholders are in agreement on the need for conducting a comprehensive external "*Fit for Purpose*" review" of the ARTF. Since its establishment in 2002, the ARTF has made important contributions to the development effort in Afghanistan. For example, donors have contributed over US$9 billion for financing projects in the

Afghan national budget for service delivery, and reconstruction across the country. Since its inception, the ARTF has also evolved to meet the emerging needs of Afghanistan; this includes inventing new flexibilities in products, processes, and responsiveness- for instance through creating the Ad Hoc Payment window as part of the ARTF RCW.

However, a number of challenges have also emerged over the course of several years of experience with implementation of the ARTF financed projects. These challenges include weak government discretion over all the ARTF funds due to donor preferencing, lower donor contributions to the ARTF, minimum programmatic / sectorial approach to development, lower budget execution, poor performance within some of the ARTF financed project, delays in procurement clearance including seeking No Objection Letters (NOLs) from the World Bank, weak government ownership in governing the ARTF, insufficient government inputs in the design and costing of ARTF projects, complex designs of projects for a Fragile environment, staffing gaps, minimum capacity-building results, and inadequate monitoring, impact evaluation and reporting of the ARTF results.

The review therefore, will not only consider the role of the ARTF in supporting the Afghan Government goals expressed in the ANPDF, national priority programs (NPPs), and SMAF indicators, but will also assess and make recommendations of optimal ways to address both the identified challenges and other ones that may be identified through the review process.

This will require a detailed review of the ARTF, and a diagnostic of the specific actions required of the ARTF stakeholders – Government, ARTF donors, and the World Bank as the ARTF administrator, - in order to support the Government as it implements its development agenda. The review will examine several key areas focusing on analyzing the issue, outlining desired results/actions, defining stakeholder roles and responsibilities, and developing realistic benchmarks and timelines for actions to be taken by the ARTF stakeholders over the coming year/s.

The review will be undertaken by independent external experts.

 I Specific Objectives

The overall objective of this review is to assess: (i) how best the ARTF serves as a Fit for Purpose mechanism that can adapt to Government needs, purpose and priorities in its vision to achieve selfreliance; (ii) identify solutions to the challenges as well as enable the Government to more effectively use funds provided under the ARTF

To this end the review will examine (i) the ARTF's strategy and performance; flexibility as a financing instrument; Governance and Administration; discretion over funds, development budget flexibility; portfolio management and quality; monitoring and evaluation, capacity building, and the Research and Analytical Work Program (RAP); and (ii) the individual and collective roles of Government[1], ARTF donors and the World Bank to enhance government ownership, portfolio quality, and results.

The review will undertake a comprehensive and forward looking analysis of key areas pertinent to the objectives. It will outline clear and practical recommendations for actions to be taken by the government, contributing ARTF donors, and the World Bank as the enjoined stakeholders of the ARTF.

II. Scope of Work

For each of the thematic areas and issues outlined below, the following should be done: (a) systematic and evidence-based analysis of the previous results, present status, and desired future outcome; (b) delineation of each of the stakeholders' present roles and responsibilities and actions and a review of the required actions to achieve the desired future outcomes; and, (c) indication of realistic benchmarks and timelines for each of the actions to be taken by the respective ARTF stakeholders.

Key Areas for Review, Analysis and Intended Follow-up Action

(a) **Background, Strategy and Performance.** Assess: (i) the performance of the ARTF since the last review undertaken in 2012, including an assessment of the implementation of recommendations arising from the last review; (ii) ARTF strategic alignment with the national development strategy of Afghanistan (ANDF, NPPs and SMAF), and a review of its approach (including the Financing Strategy) to achieving the objectives of the national strategies including the PFM Roadmap; (iii) the ARTF approach to utilizing global as well as the Bank's FCV knowledge on supporting fragile states recovery, and the Bank's products that can be utilized for Fragile and Conflict-affected and Violent (FCV) countries iii) stakeholder assessment of ARTF strengths and weaknesses and a recommended approach to transform the weaknesses to strengths; (iv) how, and what each of the ARTF stakeholders (government, ARTF donors, and World Bank) can do to improve outcomes.

(b) **Flexibility of ARTF as a Financing Instrument.** Assess: (i) the adequacy, and appropriateness of the mechanisms the ARTF currently employs to flexibly support the government's development goals (including the role of the ARTF Financing Strategy), and understand how the ARTF can undertake a more sectoral / programmatic approach; (ii) the appropriateness of the current balance between the ARTF IW and RCW; (iii) the effectiveness, efficiency and adequacy of the existing mechanism for reallocation within the ARTF projects; (iv) the workings of donor pledges and preferencing of contributions and their impact on planning around government priorities; (iv) the issue of tranching of funding for investment projects, including the implications of the existing practice and of lowering tranche thresholds; (v) the potential ways the ARTF could involve non-traditional donors; (vi) in all these areas examine what actions each of the three stakeholders needs to take to achieve stated objectives of maximizing flexibility for government.

(c) **Governance, Administration and Government Ownership**: (i) review Government ownership of the ARTF, and how this could be further enhanced, delineating the various aspects of ARTF this would apply to (e.g., governance bodies, administrative functions, portfolio management, financial management, reporting, etc.); (ii) determine the actions, benchmarks, and expected results that greater government ownership and control of the ARTF would require for each of the areas in (i) above from for each of the stakeholders; (iii) review lessons from other single country multi-donor trust funds (MDTFs) (e.g., the Iraq Trust Fund) in developing recommendations for transition arrangements for government administration of a trust fund; (iv) consider institutional arrangements in the light of the changing country context and the future strategic direction that the ARTF is aiming to take. Institutional arrangements refer to ARTF oversight by the Steering

Committee, Strategy Group (SG), ARTF linkages with donors, ARTF linkages with the government and ARTF's internal institutional set-up. With regards oversight, the evaluation should consider the extent to which the SG functions effectively as a decision-making body, particularly regarding setting the strategic direction and the pipeline of investment projects.

(d) **Development Budget Flexibility.** Assess the actions that can be taken by government, ARTF donors, and World Bank to support the government's goal of: (i) increasing official development assistance through on budget modalities (i.e., ARTF), and within that increasing discretion of that on-budget assistance; (ii) examine especially the sub-areas such as (a) donors moving off-budget funds to on-budget; (b) alignment of bilateral incentive programs with the ARTF Incentive Program; (iii) review of impact of donor preferencing of ARTF contributions. In developing recommendations, describe actions, benchmarks, and expected results for all stakeholders to enable the expansion of on-budget financing and expansion of government discretion.

(e) **Planning and Design of Government Programs Funded by ARTF:** (i) Assess the extent to which project and program designs adequately reflect government strategic objectives; (i) review the extent and quality of government input into project development (including design and costing); (ii) review average project preparation times; (iii) assess the alignment between project complexity and government institutional capacities; (iv) assess the adequacy, and effectiveness of the ARTF portfolio for achieving the national equity objectives, especially on gender, conflict sensitivity, and poverty reduction; (v) assess the actions required of each stakeholder to achieve the government's desire to undertake sector wide/programmatic approaches/programs; (vi) Examine the roles of each stakeholder in the status quo and propose what actions each needs to take to achieve desired outcomes in planning and design, especially programmatic/sector-wide approaches.

(f) **Program Implementation and Portfolio Management**: (i) review the current portfolio management practices, the roles of government, ARTF donors, and World Bank, and identify areas that could be strengthened; (ii) review the linkages between ARTF investment operations, and project teams, as well as the staffing profile of the ARTF; the Bank will internally and independently assess and share a report for comment to the government, ARTF donors and the review team on the adequacy of the number of World Bank staff working on the ARTF projects, and adequacy of their presence in country for providing support to ARTF project implementation; (iii) assess the quality of project performance reports (ISM, MTR etc.), and the effectiveness of the existing mechanisms to resolve identified project implementation issues; (iv) the Bank's Independent Evaluation Group (IEG) will review the accuracy, and adequacy of mechanism for rating ARTF financed projects after implementation support missions are conducted and share a report for comment to the government, ARTF donors and the review team; and (v) review the linkages between the ARTF investments and project appraisal, monitoring, and reporting arrangements; (vi) distil the relevant lessons from the ARTF, and from global implementation of sectoral programs/sector wide approaches for future ARTF programming.

(g) **Institution and Capacity Building**: Assess: (i) the effectiveness, and adequacy of existing capacity building and knowledge management and transfer strategies in ARTF financed projects, including the Investment Window supervisory agent, and the Recurrent Cost Window monitoring agent; (ii) adequacy of the reports prepared by the supervisory, and monitoring agents; (iii) actions that need to be taken in order to support the government's commitment to have all project management units (PMUs)/project implementation units (PIUs), and other parallel mechanisms to be integrated within the structure of relevant ministries;(iv) the effectiveness of the ARTF Research and Analysis Program in contributing to ARTF programming, knowledge and capacity transfer.

(h) **Results Monitoring and Reporting**: Assess: (i) the frameworks in use for results monitoring, and impact evaluation by Government, ARTF donors, and World Bank in terms of appropriateness for

context, Government ownership, collective ownership, overlap, and follow up by all stakeholders for strategy and priorities, design, and corrective actions; (ii) current (e.g. ARTF Scorecard) and possible future options for more effective monitoring of results, and impact evaluation (focusing on GDP, poverty reduction, employment generation, gender mainstreaming, and other relevant development / economic indicators) in the ARTF portfolio; (iii) the adequacy of the Monitoring and Supervisory Agent functions and outputs produced; (iv) the feasibility, and outline mechanisms for the transfer of responsibility for the monitoring work currently done by the supervisory, and RCW monitoring agents to the Government; (v) collaboration between ARTF financed projects and other non-ARTF projects to ensure maximization of synergies, and to prevent duplication of efforts.

III. Management of the Review Process

The day to day management of the review process is the responsibility of the World Bank, as ARTF administrator, and the Government of Afghanistan represented by the MoF. ARTF donors, represented by the Strategy Group will also play an active role, and will be consulted at key points during the process to review products as they are delivered. This includes input into and approval of the review ToRs.

a) As in the previous reviews of the ARTF, the core review work will be contracted out to an external firm or team. The final composition of the external review team will be jointly agreed by the MoF and ARTF Administrator during the selection process which will follow World Bank procurement guidelines. The team will be fully responsible for undertaking all segments of the review set out above, including the stocktaking, the assessment, and the drafting of the final report. The external team will be responsible for the presentation of the findings in a series of consultations.

b) Having approved the ToR, the ARTF Strategy Group will approve the inception report (including proposed methodology) of the external team before the core work starts. The Strategy Group will also review the final draft report before it is finalized by the external team.

c) A Contact Group of people with extensive experience in the management of multi donor trust funds in fragile and conflict affected countries will be formed. The composition of the Contact Group will be discussed and agreed once the review tender has been launched. The Contact Group will be virtual and will consist of no more than 6 key members. Three will be appointed by the World Bank, including two from the ARTF donors, and two by the Government of Afghanistan. The Contact Group will:

- Ensure that the review is linked with global best practices in fragile and conflict affected countries, and encourage the integration of lessons learned from other fragile and conflictaffected country transitions, and multi-donor trust funds into the review.

- Provide comments on the written deliverables.

- Participate in some of the consultations with the ARTF Strategy Group.

IV. The Review Process

The review will be carried out in two stages:

- In **stage one**, the external team will prepare an inception report that will include a fully developed methodology, including a mission to Afghanistan to carry out a range of interviews and consultations with key beneficiaries, major ARTF donors, and the Afghan Government (MoF and Line Ministries) as well as with the World Bank technical, and management teams.

- **Stage one** will conclude with the submission of an Interim Review Report. The report could be either in the form of a (detailed) power point presentation or in a word document.

- In **stage two**, the external team will finalize and share the review documentation as well as undertake a series of presentations to disseminate and consult on findings. The delivery of the final written report is expected by August 2017.

Team: The overall review process will be coordinated by a World Bank staff (the review manager) who will execute the World Bank responsibility over the review. The Ministry of Finance's Aid Management Director (or his designee) will serve as a co-chair of the review. With advice from the Ministry of Finance co-chair, the review manager will be responsible for:

- Procurement of the external review team; o the overall review process schedule; o provision of relevant background materials.

- The establishment and functioning of a Contact Group of World Bank, MoF, and ARTF donor appointed experts.

- Managing the quality of the final product, for example in ensuring that it responds to the agreed ToRs, is delivered on time, and in accordance with high quality standards; o and, managing dissemination and consultation.

It is expected that the consulting firm would assemble a team consisting of the following:

The review of the ARTF will be carried out by a "Consultant" (consulting firm, university, or organization) with a solid background in the following fields: evaluation of development programs; development work with multilateral, and bilateral development organizations; international relations and development economics; social and institutional development; and FCV situations. Specifically, the firm must have proven practical knowledge and experience in the following areas: (i) monitoring and evaluation of development programs; (ii) fragile and conflict affected situations; (iii) political economy and governance issues in Afghanistan; and (vi) multi-donor trust funds, and World Bank operations and financing instruments for development. This experience must be demonstrated with previous consulting assignments that involved a variety of reviews/evaluations of MDTFs, or country development programs.

In addition, the firm, university, or organization must propose an outstanding multi-disciplinary team. The staff proposed must have exceptional qualifications and competence in the main disciplines required for the evaluation of the ARTF, such as: (i) monitoring and evaluation of development programs; (ii) significant knowledge and experience in Afghanistan or other fragile contexts, its social development issues, and socio-economic and environmental context; (iii) fragile and conflict affected situations; and (iv) political economy and governance issues in Afghanistan.

It is expected that the consulting firm would at a minimum assemble a team consisting of the following:

a) Team leader. Specifically, the proposed Team Leader, must have relevant background and experience in project management, and leadership. Among other criteria, experience in complex project management, fragile states, development programs, institutional issues, and strong verbal and written communication skills will be considered critical. The team leader will be responsible for developing the overall review methodology, and drafting and presenting the findings of the review. He/she must have a minimum of a Master's degree in a relevant field/discipline with at least 15 years of international development experience working with MDTFs, with a strong preference for evaluating MDTFs, and in FCV contexts.

b) Expert in Public Finance / Economics – The expert will take the lead in the assessment of the ARTF. S/he will look at issues of portfolio quality at entry, performance, evaluation, and learning. S/he will also lead in the review of development budget flexibility and financing aspects of the task. Should have minimum of Master's degree in in public finance management, economics, or other field related to international development financing, and at least 8 years of relevant experience.

c) Experts in Institutional development – This specialist will review current approaches to building up government institutions and provide recommendations to improve strategies for development the capacities of government. Should possess at least a Master's degree in governance, public policy, or other field related to international development and a minimum 8 years of relevant experience.

d) Expert(s) with minimum Master's degree in social development, including gender equality, and safeguards; and experience of at least 8 years in a relevant field;

e) The firm must provide the curriculum vitae of each member of the team proposed.

V.   Budget and Payment.

Majority funding for the review will be provided by DFID in agreement with the ARTF Administrator, and the Government of Afghanistan.

Lump Sum Inclusive of all Expenses- the Consultant's total contract amount shall be fixed lump sum including all staff costs, and it will be paid against the following schedule of payment based on the deliverables outlined in (IV) above:

- 10% upon Consultant's signing of contract (estimated, early April, 2017) against a bank guarantee

- 20% upon Consultant's submission and the Bank's and Government's acceptance of the Inception Report (**estimated, May, 2017**)

- 20% upon the Consultant's submission and the Bank's and Government's acceptance of the Interim Review Report (**estimated, June 2017**)

- 50% upon Consultant submission and the Bank's and Government's acceptance of the Final Report (**estimated August 2017)**

As ARTF Administrator, the World Bank, will contract "the Consultant", and make the administrative decisions on payments against milestones. Collectively, the Government, the ARTF SG, and the Administrator will make decisions on accepting the recommendations of the review.

Annex B: Persons Interviewed

Government of Islamic Republic of Afghanistan

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Ministry of Education (2016): "EQUIP Semi-Annual Narrative Report, January-June 2016"

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Ministry of Education (2015): "EQUIP II Six Monthly Report July-Dec 2015"

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WB (2016): "Implementation Status & Results Report, ISR – EQUIP II Sequence no.19", archived 16 December 2016

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WB (2014): "ISR – EQUIP II (P106259) Sequence no.15", archived 24 December

WB (2014): "ISR – EQUIP II (P106259) Sequence no.14", archived 04 July

WB (2013): "ISR – EQUIP II (P106259) Sequence no.13", archived 26 November

WB (2013): "ISR – EQUIP II (P106259) Sequence no.12", archived 17 June

WB (2013): "ISR – EQUIP II (P106259) Sequence no.11", archived 02 January

WB (2012): "ISR – EQUIP II (P106259) Sequence no.10", archived 20 August

Health Project - SEHAT

SEHAT ARTF Results Stories 2016

WB (2017): "ISR – System Enhancement for Health Action in Transition Project (SEHAT) (P129663) Sequence no.09", archived 10 January

WB (2016): "ISR – SEHAT (P129663) Sequence no.08", archived 05 July

WB (2016): "ISR – SEHAT (P129663) Sequence no.07", archived 23 January

WB (2015): "ISR – SEHAT (P129663) Sequence no.06", archived 05 November

WB (2015): "ISR – SEHAT (P129663) Sequence no.05", archived 05 May

WB (2014): "ISR – SEHAT (P129663) Sequence no.04", archived 09 November

WB (2014): "ISR – SEHAT (P129663) Sequence no.03", archived 31 May

WB (2013): "ISR – SEHAT (P129663) Sequence no.02", archived 26 November

WB (2013): "ISR – SEHAT (P129663) Sequence no.01", archived 16 May

WB (2013): "Emergency Project Paper on a Proposed Grant for the System Enhancement for Health Action in Transition Project", Report No: 73645-AF, 09 February

Capacity Building for Results Project - CBR

GIRoA web-site for CBR: http://mof.gov.af/en/page/481/capacity-building-for-results

ARTF web-site for CBR: http://projects.worldbank.org/P123845/afghanistan-capacity-blding-results-facility?lang=en

WB (2017): "ISR – Capacity Building for Results Facility (CBR) (P123845)", Sequence no. 13, archived 13 March

WB (2016): "ISR – CBR (P123845)", Sequence no. 12, archived 12 September

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WB (2016), Integrated Safeguards Data Sheet – Restructuring Stage", 19 February

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WB (2012): "ISR – CBR (P123845)", Sequence no. 01, archived 10 July

WB (2011), "Emergency Project Paper for a Capacity Building for Results Facility", report 66483, Washington 6 December

<u>*Research and Analysis Program – R AP*</u>

ARTF (2017): Research and Analysis Program, Progress Report September 2016-Feb 2017 Complete Report

ARTF (2017): Research and Analysis Program, A Progress Update on the ARTF Financed Research and Analysis Program (RAP), As of end February 2017

ARTF (2016?): Research and Analysis Program, Revised Concept Note for the Donors, 23 February

Annex D: Methodology and Instruments Used

The ToR outline a broad agenda, as presented in Annex A. Based on Scanteam's tender proposal and in subsequent dialogue with the Bank and the ARTF partners, a more careful specification of some of the questions was agreed to, as explained in section 2.2 of this IRR, and are presented below.

The team is asked to document results achieved, current status, and desired future outcomes for the 38 issues across the eight key areas. This should include looking at current role and responsibilities of the three ARTF partners, and provide a timeline and benchmark for change.

Methodology and Approach

This review is in part to contribute to the finalization of the new Financing Strategy for the ARTF. Since the Financing Strategy process has already begun, it was agreed that this review would accelerate its own data gathering and analysis process by running three information collection activities in parallel: The document review, the survey, and many of the interviews were carried out the end of July and during August. As the fieldwork will take place 6-15 September, most of the information collection will have been completed by then. This will allow the fieldwork to focus more on validating, discussing and analyzing the information in Kabul by organizing workshops and facilitated focus group discussions with the various stakeholder groups on the ground, addressing Findings, Conclusions and the early Recommendations to come out of this review.

Data Sources and Information Collection

The evidentiary for this review will be based on the following information sources and tools:

(i) The relevant **documents** (Annex C) have been reviewed, where the team is using a dedicated software package to code the information according to the key issues to be addressed (Annex D, attachment). The document review is foundational since the documents will in most cases have been through some form of vetting/quality assurance, such as a national policy process or presented to the multi-stakeholder universe of the ARTF, and hence constitute a reasonably reliable source of information. The weakness is that the documents have not been prepared with the issues of the TOR in mind, so while *reliability/ replicability* of the information provided tends to be good, the *validity/ relevance* may often not be so high.

(ii) The team carried out a **survey** of the key stakeholder groups. The survey questionnaire (Annex F) includes those issues that lend themselves to be addressed through a questionnaire (Evaluation Matrix, table D.2 below), where the *coverage* of issues is limited to those that lend themselves to differing respondent groups having relevant views and experiences. A pre-test of the questionnaire was done with Bank, Ministry of Finance and two of the larger ARTF donors before finalization. The ratings structure for the questions allowed for some aggregation of data, where response rates and thus *validity* and *reliability* of survey answers are discussed in the presentation of the survey results (Annex F).

(iii) **Interviews** allowed the team to probe the experiences and views of individual stakeholders. The ToR require the team to understand the views and concerns of the different stakeholder groups well in order to come up with useful conclusions and

recommendations. This means the team ideally should have had time to probe and validate the views. Since most of the interviews lasted 60-90 minutes, and for the sake of consistency, the team had to focus on addressing issues as defined in a prepared Conversation Guide (Annex D, attachment), though this was adjusted by stakeholder group. Most of the interviews have been carried out, where the international stakeholders – Bank staff and donor representatives – were interviewed by Scanteam while the national stakeholders, in particular government officials, were interviewed by PTRO. The experience has been that carrying out phone or video-conference interviews even with staff based in Kabul has worked very well.

(iv) **Project reviews** constitute a key source of information, since it is in the implementation of projects that planned-for results – such as capacity development – is to be produced. The project reviews will consist of the data collection methods noted above: review of the project documentation – in particular results reporting of various kinds (internal administrative reporting, internal monitoring missions, external supervisory missions, independent evaluations, donor-sponsored reviews ....), interviews with project implementers, Government officials – for some projects including at provincial and district levels – and possibly some intended beneficiaries. – What makes this a distinct source of information is that it is related to particular projects and their results, and thus constitute the only data universe that has results data as integral to it.

(v) **Focus group discussions and workshops** will take place during the fieldwork with various stakeholder groups to discuss future roles and responsibilities, allowing for some brain-storming around options to be considered. These discussions will be informed by views already collected, so will allow for challenging various ideas and underlying assumptions, but will focus on discussing Findings and Conclusions from the information collected, and discussing Recommendations.

(vi) **The Contact Advisory Group (CAG)** is a group of six senior experts in the fields of trust funds, conflict and vulnerability, and experience from Afghanistan. They have been identified by the three stakeholder groups in the ARTF, and will act as advisors and resource persons to the review team, particularly on "big picture" issues like lessons learned from other trust funds, issues of increased ownership by national authorities etc. More specifically, (a) the team will interview them on these broader concerns based on a particular Conversation Guide on these issues, (b) there will be a group discussion with the CAG before the fieldwork, (c) once the team returns from Kabul, there will be a debrief/ group discussion on the discussions in Kabul, (d) during the process, the CAG will be asked to comment on the specific issues of Findings, Conclusions and Recommendations in the Interim Review, Draft and Final Reports, (e) there will be a final conversation about the draft Recommendations before they are finalized.

The validation and triangulation of data will not necessarily follow this logic structure. For some issues, core ideas may come later in the process such as from the workshops. Here the team will then have to go back to the documents to see if there is information there that will corroborate interview data. But overall there should be a richness of sources and methods for collecting information that should allow for reliable and documentable findings, conclusions and recommendations.

Projects Reviewed

While the ToR identifies the issues to be answered, it does not specify which projects receiving ARTF funding should be looked at for evidentiary data regarding performance. Given the need for assessing how the ARTF as a funding mechanism is viewed outside the capital, it has been agreed that the team will look at two programs that have national reach and thus can be studied also at provincial and district levels: (i) *System Enhancement for Health Action in Transition* (SEHAT), and (ii) *Education Quality Improvement Program II* (EQUIP II).

In addition, the team will review the *Capacity Building for Results Facility* (CBR), which is implemented by the Independent Administrative Reform and Civil Service Commission (IARCSC). This larger and more structured support to capacity building will be central to reviewing how the ARTF is supporting capacity development, in addition to what is found when looking at the capacity building activities in the two projects above, and the capacity building activities and results of the Monitoring Agent and Supervisory Agent.

The Review Process

The review process consists of the following steps, some of which have been concurrently, as noted above:

Document Review: The document universe is made up of (Annex C):

(i)   *National policy documents*: the Afghanistan National Development Strategy (ANDS) followed by the Afghanistan National Peace and Development Framework (ANPDF) and the relevant National Priority Programs (NPPs), including the Fiscal Performance Improvement Plan;

(ii)   *General Framework Documents* addressing the operating environment the ARTF faces;

(iii) *ARTF Framework, Program and Review documents*, such as the fundamental ARTF agreements, governing documents, and larger reviews and evaluations of the ARTF as a whole or segments of ARTF-funded activities, including by other donors;

(iv) *ARTF Management documents*: ARTF Administrator reports, Steering and Management committee minutes, performance review/ scorecard reporting, Monitoring Agent and Supervisory Agent reports, project reports (supervision mission reports from last 12-18 months on each project), external reviews and evaluations;

(v)   *ARTF Working Group documents*, such as Strategy Group and Gender Working Group;

(vi) *ARTF Project documentation* for the projects included for review.

The reading was based on a *Document Review Guide/Coding Sheet* (Annex D, attachment) that allowed for a structured recording of the information. All the documents have been shared in a cloud-based folder.

Interviews: Interviews are central to getting answers to the complex issues raised in the ToR. A *Conversation Guide* that covers the questions best addressed through interviews was prepared, and which is then subsequently tailored to the various respondent groups. The Conversation Guide has then also been used to structure the recording of the interviews, to ensure consistency across respondents. The interview notes have furthermore been coded using the same categories as for the document review, so that there is a consistently coded documentary universe available for the review analysis.

As noted, many interviews have been phone/skype consultations, both with stakeholders on the ground in Kabul, but also reaching out to those donors that do not have a physical presence in Kabul, and with some of the donors' head offices.

Survey: The team carried out a survey of key stakeholders, where respondents have been asked to rate their level of agreement/disagreement with statements relevant to the issues in the ToR. In addition, respondents have also been invited to comment on the issues and their ratings, as the experience is that many respondents appreciate an opportunity to elaborate on the reasons for their answers. This has also in this case provided further qualitative information, while the ratings allow for aggregating into measures of frequency distribution of opinions, for example by respondent group (Annex F).

The stakeholder groups the team reached out to were (i) central GIRoA officials who deal with ARTF directly or through ARTF-funded activities, (ii) ARTF decision makers and managers: World Bank staff in Kabul and Washington, representatives on the ARTF Management Committee, (iii) donor decision-makers and desk officers, in Kabul and at headquarters; (iv) Bank task team leaders (TTLs) who manage ARTF-funded activities, (v) staff of the ARTF Monitoring and Supervisory agents.

Fieldwork: The fieldwork is being done in two phases: visits to a couple of provinces outside Kabul, and subsequently the joint fieldwork of the Scanteam and PTRO consultants in Kabul.

Province visits: Regarding the work in the provinces, this will focus on collecting the views of provincial and municipal officials and local implementing partners who are participating in SEHAT and EQUIP, to get their views on the ARTF as a mechanism. The visits will take place in Herat and Nangarhar provinces, with some interviews also in Kabul province.

Kabul visit: The main fieldwork will be in Kabul, where the joint team from Scanteam and PTRO will interact with GIRoA officials, World Bank staff, donor representatives, and other relevant parties: officials in institutions benefiting from ARTF financing, CSO staff engaged in implementing or benefitting from ARTF funded activities, and observers who can be expected to know something about ARTF though not necessarily directly involved.

Follow-up Interviews: Once the fieldwork has been completed, the team will complete the information collection by carrying out a last set of interviews: with donor HQs, to see if what was heard in the field reflects the issues that the head offices are concerned with; donors not present in Kabul that the team may not have reached before the fieldwork; Bank TTLs that were not spoken with before the fieldwork began, and members of the Contact Advisory Group.

Drafting and Finalizing the Report: The full draft report will be according to the structure agreed with ARTF partners and which is used for this IRR. The finalization process will be according to what has been outlined above (section 2.5).

The Review Questions

As noted, the 38 questions in the TOR are in some cases fairly broad and/or complex. Given the timeline for the review, a dialogue between the consultants and ARTF stakeholders took place, to clarify which issues the team should focus on, to ensure that the information provided would be useful towards the main objectives of the exercise. The agreements on where to focus is reflected in table D.1 below.

Table D.1: Review Matrix – the Issues and Clarifications

Key Review Areas and Respective Issues	Comments and Clarifications
Background, Strategy and Performance. Assess:	
• the performance of the ARTF since the last review undertaken in 2012, including an assessment of the implementation of recommendations arising from the last review;	• The Bank will provide "tracking reports" regarding the 2012 recommendations • The team will assess the extent to which ARTF restructured to align with national priorities – have changes over the last 4 years been strategic? • It will assess how PFM reform has been supported
• ARTF strategic alignment with the national development strategy of Afghanistan (ANDF, NPPs and SMAF), and a review of its approach (including the Financing Strategy) to achieving the objectives of the national strategies including the PFM Roadmap;	• The PFM roadmap will be addressed as and if time permits • SMAF is not regarded as relevant in this connection
• the ARTF approach to utilizing global and the Bank's FCV knowledge on supporting fragile states recovery, and the Bank's products that can be utilized for Fragile and Conflict-affected and Violent (FCV) countries	• To be addressed as seen from the field • Look at program/project level – talk with TTLs on interaction, value of this for them • If time permits, will look at how the Incentives Program has been helpful for improving the ARTF program including issues like improved flexibility
• stakeholder assessment of ARTF strengths and weaknesses and a recommended approach to transform the weaknesses to strengths;	• The "weakness to strength" will be addressed based on how local stakeholders perceive this • This will be picked up in workshops/interviews
• how, and what each of the ARTF stakeholders (Government, ARTF donors, and World Bank) can do to improve outcomes.	• To be addressed as part of final analysis and thus will be picked up at workshops/interviews
Flexibility of ARTF as a Financing Instrument. Assess:	
• the adequacy, and appropriateness of the mechanisms the ARTF currently employs to flexibly support the Government's development goals (including the role of the ARTF Financing Strategy), and understand how the ARTF can undertake a more sectoral / programmatic approach;	• Team just received the Bank's "Flexibility Tracker" which has been discussed with donors, GIRoA last year, and minutes from the meeting where this was discussed, so will be used as important input • This issue was raised in particular by GIRoA, so will explore with GIRoA its main concerns here
• the appropriateness of the current balance between the ARTF investment and Recurrent Cost Windows;	• No observations
• the effectiveness, efficiency and adequacy of the existing mechanism for reallocation within the ARTF projects;	• This issue will include looking into the time required for restructuring, and what happens to projects that show no disbursements in a year
• the workings of donor pledges and preferencing of contributions and their impact on planning around Government priorities;	• No observations
• the issue of tranching of funding for investment projects, including the implications of the existing practice and of lowering tranche thresholds;	• No observations
• the potential ways the ARTF could involve non-traditional donors;	• Look at how the ARTF can partner with donors such as India, China that do not fund through TFs
• in all areas examine what actions each of the three stakeholders needs to take to achieve stated objectives of maximizing flexibility for Government.	• To be addressed during workshops • Will use the Flexibility paper to address this

Key Review Areas and Respective Issues	Comments and Clarifications
Governance, Administration and Government Ownership:	
• review Government ownership of the ARTF, and how this could be further enhanced, delineating the various aspects of ARTF this would apply to (e.g., governance bodies, administrative functions, portfolio management, fiscal management, reporting, etc.);	• MinFin will assist the team to access GIROA thinking on these matters, including latest versions of NPPs • Will be included in workshops in Kabul • Probe what has happened in terms of capacity and the will to take on more ownership last five years
• determine the actions, benchmarks, and expected results that greater Government ownership and control of the ARTF would require for each of the areas in the point above for each of the stakeholders;	• Best addressed through joint discussions with the stakeholders on the ground • Will need to build on what can be agreed under the point above on GIRoA ownership
• review lessons from other single country multi-donor trust funds (MDTFs) (e.g., the Iraq Trust Fund) in developing recommendations for transition arrangements for Government administration of a trust fund;	• Use current understandings of TFs in Palestine, Iraq, Timor Leste, Syria • Also discuss with Contact Advisory Group members about their expertise in this field
• consider institutional arrangements in the light of the changing country context and the future strategic direction that the ARTF is aiming to take. *Institutional arrangements refer to ARTF oversight by the Steering Committee, Strategy Group (SG), ARTF linkages with donors, linkages with Government and ARTF's internal institutional set-up. The evaluation should consider the extent to which SG functions effectively as decision-making body, particularly regarding setting the strategic direction and pipeline of investment projects.*	• This will be done as one of the overarching issues at the end of the task. • This will be a topic in discussions and workshops during the fieldwork in Kabul
Development Budget Flexibility. Assess the actions that can be taken by Government, ARTF donors, and World Bank to support the Government's goal of:	
• increasing official development assistance through on budget modalities (i.e., ARTF), and within that increasing discretion of that on-budget assistance;	• First part is outside ARTF realm so unclear how far this review can go, second part function of donors' policies in Afghanistan (i.e. corruption risk) • GIRoA would like (i) 80% of aid to be on-budget by 2018, (ii) more funding discretion. Team will raise this during work in Kabul: what will it take for donors to move in those directions?
• examine especially the sub-areas such as (a) donors moving off-budget funds to on-budget; (b) alignment of bilateral incentive programs with the ARTF Incentive Program;	• Addressing this depends on good access to donor policies and info, so this will depend on donors providing this
• review of impact of donor preferencing of ARTF contributions. *In recommendations, describe actions, benchmarks, and expected results for all stakeholders to enable the expansion of on-budget financing and expansion of Government discretion.*	• Requires information about donor policies, since there is an underlying assumption that this is actual HQ view. The team will try to uncover this during interviews with HQ staff • Regarding the issue of preferencing, will need to discuss with actors on the ground what today's issues are considered to be and thus what it may take to change their current approaches
Planning and Design of Government Programs Funded by ARTF: Assess the extent to which project and program designs adequately reflect Government strategic objectives;	
• review the extent and quality of Government input into project development (including design and costing);	• Will use the SEHAT and EQUIP projects to probe these issues in practice, both from GIRoA and Bank/ TTL perspectives
• review average project preparation times;	• See what data Bank has regarding project prep times

Key Review Areas and Respective Issues	Comments and Clarifications
• assess the alignment between project complexity and Government institutional capacities;	• Will see what the SEHAT and EQUIP projects can provide in terms of insights to this issue
• assess the adequacy, and effectiveness of the ARTF portfolio for achieving the national equity objectives, especially on gender, conflict sensitivity, and poverty reduction;	• Assumes the ability to trace attributable linkages to these effects which is questionable • For empirical data, use SEHAT and EQUIP • *Particular attention to capturing gender dimension across entire review*
• assess the actions required of each stakeholder to achieve the Government's desire to undertake sector wide/programmatic approaches/programs;	• Need to understand from GIRoA what definition of concept is, as some would see NSP, SEHAT, EQUIP as exactly sector programmatic approach • Need to understand from stakeholders how they see issue and what are possible obstacles • Need to understand status of NPPs in terms of operational priorities, implementable costings • Topic for workshops, facilitated group discussions
• examine roles of each stakeholder in the status quo, propose which actions each needs to take to achieve desired outcomes in planning and design, especially programmatic/sector-wide approaches.	• This will largely be based on the findings and conclusions to the above issues
Program Implementation and Portfolio Management:	
• review current portfolio management practices, roles of GIRoA, donors, and Bank, and identify areas that could be strengthened;	• Focus on the ARTF policies and practices for resolving implementation bottlenecks, restructuring portfolio
• review the linkages between ARTF investment operations, and project teams, as well as the staffing profile of the ARTF; *the Bank will internally and independently assess and share a report for comment to the Government, ARTF donors and the review team on the adequacy of the number of World Bank staff working on the ARTF projects, and adequacy of their presence in country for providing support to ARTF project implementation;*	• If the Bank's internal study is ready in time, the team will use its basic data, findings and conclusions as relevant to this review • The Afghanistan desk in Washington is conducting an comprehensive portfolio review, so when this is made available that information will be included as an important input to this review
• assess the quality of project performance reports (ISM, MTR etc.), the effectiveness of existing mechanisms to resolve identified project implementation issues; *the IEG will review the accuracy, and adequacy of mechanism for rating ARTF financed projects after implementation support missions are conducted and share a report for comment to the Government, ARTF donors and the review team; and review the linkages between the ARTF investments and project appraisal, monitoring, and reporting arrangements*	• If the IEG study is ready in time, the team will use the data, findings and conclusions that are relevant to this review • Will address the other issues as part of the performance reporting concerns below
• distil the relevant lessons from the ARTF, and from global implementation of sectoral programs/sector wide approaches for future ARTF	• Will discuss with CAG members their views on this, since they are probably the single best source of information on this complex matter • However, lessons from "global implementation" will need to be considered in light of context in Afghanistan
Institution and Capacity Building: Assess:	
• the effectiveness, and adequacy of existing capacity building and knowledge management and transfer strategies in ARTF financed projects, including the IW supervisory agent, and the Recurrent Cost Window monitoring agent;	• Since question is multi-dimensional, focus is on *capacity building* • Focus on CBR plus capacity development in SEHAT and EQUIP • Look also at CapDevt by Monitoring/ Supervisory Agents – document review and interviews

Key Review Areas and Respective Issues	Comments and Clarifications
• adequacy of reports prepared by the supervisory and monitoring agents;	• See comments to same under *Results Monitoring* below but is issue that will be looked into
• actions that need to be taken in order to support the Government's commitment to have all project management units (PMUs)/project implementation units (PIUs), and other parallel mechanisms to be integrated within the structure of relevant ministries;	• Complex issue that requires access to GIRoA thinking/ concerns • One issue is transition of PIU staff to becoming civil servants and entered on the *tashkil*
• the effectiveness of the ARTF Research and Analysis Program in contributing to ARTF programming, knowledge and capacity transfer.	• No particular observations
Results Monitoring and Reporting: Assess:	
• the frameworks in use for results monitoring and impact evaluation by GIRoA, donors, and WB in terms of appropriateness for context, GIRoA ownership, collective ownership, overlap, and follow up by all stakeholders for strategy and priorities, design, corrective actions;	• There is an ARTF guide to the various reporting activities that brings this all together in terms of the completeness of reporting being done • Results reporting beyond ARTF the team by and large will not be able to address except in a purely peripheral, descriptive manner

• current (e.g. ARTF Scorecard) and possible future options for more effective monitoring of results, and impact evaluation (focusing on GDP, poverty reduction, employment generation, gender mainstreaming, and other relevant development / economic indicators) in the ARTF portfolio;	• The team will look at two different issues:
	  ○ Monitoring tools, ARTF scorecard, results reporting at Output and Outcome levels
	  ○ Impact evaluations/ results reporting at Impact/ Goal levels
	• Workshop topic in Kabul

• the adequacy of the Monitoring and Supervisory Agent functions and outputs produced;	• Link this to the larger issue of monitoring systems above – issues of coverage, validity, reliability of information, periodicity, steps in delivery chain covered (Outputs, Outcomes, Impact) • Specific: accessibility, disclosure issues • Look at *primary roles* versus other tasks such as capacity development
• the feasibility, and outline mechanisms for the transfer of responsibility for the monitoring work currently done by the supervisory, and RCW monitoring agents to the Government;	• Look at GIRoA's interest and capacity for taking on these tasks • Look at donors' pre-conditions for handing over these responsibilities, and possible hand-over process • Workshop topic
• collaboration between ARTF financed projects and other non-ARTF projects to ensure maximization of synergies, and to prevent duplication of efforts.	• Unclear to what extent review can address this as requires access to other actors, data • One issue is ARTF link to other coordinating processes, bodies (GIRoA own, JCMB)

The Evaluation Matrix

In order to address the above questions, a number of data sources have been described. Not all of them are equally relevant for all the issues. A structured data collection strategy was therefore designed to ensure that the most relevant sources were applied, given the kinds of information that the team deemed required for each question of the TOR.

The issues and the data sources to be used are shown in table D.2 below.

Table D.2: Evaluation Matrix – Issues and Agreed Data Sources/Tools

Key Review Areas and Respective Issues:	Doc't Review	Survey	Inter-views	Work-shop	Project reviews
Background, Strategy and Performance. Assess:					
o the performance of the ARTF since the last review undertaken in 2012, including an assessment of the implementation of recommendations arising from the last review;	X		X		X
o ARTF strategic alignment with the national development strategy of Afghanistan (ANDF, NPPs and SMAF), and a review of its approach (including the Financing Strategy) to achieving the objectives of the national strategies including the PFM Roadmap;	X	X	X		X
o the ARTF approach to utilizing global and the Bank's FCV knowledge on supporting fragile states recovery, and the Bank's products that can be utilized for Fragile and Conflict-affected and Violent (FCV) countries			X		X
o stakeholder assessment of ARTF strengths and weaknesses and a recommended approach to transform the weaknesses to strengths;			X	X	
o how, and what each of the ARTF stakeholders (Government, ARTF donors, and World Bank) can do to improve outcomes.			X	X	
Flexibility of ARTF as a Financing Instrument. Assess:					
o the adequacy, and appropriateness of the mechanisms the ARTF currently employs to flexibly support the Government's development goals (including the ARTF Financing Strategy), and understand how the ARTF can undertake a more sectoral / programmatic approach;		X	X	X	X
o the appropriateness of the current balance between the ARTF investment and Recurrent Cost Windows;	X	X	X		
o the effectiveness, efficiency and adequacy of the existing mechanism for reallocation within the ARTF projects;		X	X		
o the workings of donor pledges and preferencing of contributions and their impact on planning around Government priorities;		X	X		X
o the issue of tranching of funding for investment projects, including the implications of the existing practice and of lowering tranche thresholds;			X		
o the potential ways the ARTF could involve non-traditional donors;			X		
o in all areas examine what actions each of the three stakeholders needs to take to achieve stated objectives of maximizing flexibility for Government.	X			X	X
Governance, Administration and Government Ownership:					
o review Government ownership of the ARTF, and how this could be further enhanced, delineating the various aspects of ARTF this would apply to	X	X	X	X	X
o determine the actions, benchmarks, and expected results that greater Government ownership and control of the ARTF would require for each of the areas in the point above for each of the stakeholders;				X	X
o review lessons from other single country multi-donor trust funds (MDTFs) (e.g., the Iraq Trust Fund) in developing recommendations for transition arrangements for Government administration of a trust fund;	X		X		

Key Review Areas and Respective Issues:	Doc't Review	Survey	Inter-views	Work-shop	Project reviews
o consider institutional arrangements in the light of the changing country context and the future strategic direction that the ARTF is aiming to take.	X		X	X	X
Development Budget Flexibility. Assess the actions that can be taken by Government, ARTF donors, and World Bank to support the Government's goal of:					
o increasing official development assistance through on budget modalities (i.e., ARTF), and within that increasing discretion of that on-budget assistance;			X	X	X
o examine especially the sub-areas such as (a) donors moving off-budget funds to on-budget; (b) alignment of bilateral incentive programs with the ARTF Incentive Program;			X	X	
o review of impact of donor preferencing of ARTF contributions.		X	X	X	
Planning and Design of Government Programs Funded by ARTF: Assess the extent to which project and program designs adequately reflect Government strategic objectives;					
o review the extent and quality of Government input into project development (including design and costing);		X	X		X
o review average project preparation times;			X		X
o assess the alignment between project complexity and Government institutional capacities;			X	X	X
o assess the adequacy, and effectiveness of the ARTF portfolio for achieving the national equity objectives, especially on gender, conflict sensitivity, and poverty reduction;	X	X	X	X	X
o assess the actions required of each stakeholder to achieve the Government's desire to undertake sector wide/programmatic approaches/programs;				X	
o Examine the roles of each stakeholder in the status quo and propose what actions each needs to take to achieve desired outcomes in planning and design, especially programmatic/sector-wide approaches.				X	
Program Implementation and Portfolio Management:					
o review the current portfolio management practices, the roles of GIRoA, donors, and World Bank, and identify areas that could be strengthened;	X		X	X	
o review the linkages between ARTF investment operations, and project teams, as well as the staffing profile of the ARTF	X		X		
o assess the quality of project performance reports (ISM, MTR etc.), and the effectiveness of the existing mechanisms to resolve identified project implementation issues	X	X	X	X	X
o review the linkages between the ARTF investments and project appraisal, monitoring, and reporting arrangements	X		X		
o distil the relevant lessons from the ARTF, and from global implementation of sectoral programs/sector wide approaches for future ARTF	X		X	X	X
Institution and Capacity Building: Assess:					
o the effectiveness, and adequacy of existing capacity building and knowledge management and transfer strategies in ARTF financed projects, including the IW supervisory agent, and the Recurrent Cost Window monitoring agent;	X	X	X	X	X

Key Review Areas and Respective Issues:	Doc't Review	Survey	Inter-views	Work-shop	Project reviews
o adequacy of reports prepared by the supervisory and monitoring agents;	X	X	X		X
o actions that need to be taken in order to support the Government's commitment to have all project management units (PMUs)/project implementation units (PIUs), and other parallel mechanisms to be integrated within the structure of relevant ministries;			X	X	
o the effectiveness of the ARTF Research and Analysis Program in contributing to ARTF programming, knowledge and capacity transfer.	X	X	X	X	
Results Monitoring and Reporting: Assess:					
o the frameworks in use for results monitoring and impact evaluation by GIRoA, donors, and World Bank in terms of appropriateness for context, Government ownership, collective ownership, overlap, and follow up by all stakeholders for strategy and priorities, design, and corrective actions;	X	X	X	X	X
o current (e.g. ARTF Scorecard) and possible future options for more effective monitoring of results, and impact evaluation (focusing on GDP, poverty reduction, employment generation, gender mainstreaming, and other relevant development / economic indicators) in the ARTF portfolio;	X	X	X	X	X
o the adequacy of the Monitoring and Supervisory Agent functions and outputs produced;	X		X		X
o the feasibility, and outline mechanisms for the transfer of responsibility for the monitoring work currently done by the supervisory, and RCW monitoring agents to the Government;	X	X	X	X	
o collaboration between ARTF financed projects and other non-ARTF projects to ensure maximization of synergies, and to prevent duplication of efforts.			X	X	

Attachment A: Conversation Guide

Below is the standard Conversation Guide that is being used when speaking with donor and Bank staff. This will be modified when talking with Government officials, stakeholders who do not have a direct engagement in the ARTF today, etc.

Dear colleague,

Scanteam/PTRO have been contracted by the World Bank to review the performance of the ARTF. In that connection we are interested in hearing your views on those issues below you feel comfortable addressing.

Each conversation is expected to take 60-90 minutes, depending in part on your availability. All interviews are confidential.

1 ARTF as a Financing Instrument

- What do you see as the main advantages and challenges of the ARTF?

- How well is the ARTF aligned with the Government's national development strategy? With the NPPs?

- Is the ARTF sufficiently flexible to accommodate requests for *strategic* changes (for example better alignment)? If not, what should be changed?

- The Government would like more sector wide/programmatic approaches/ programs. What is required by the ARTF and the three stakeholder groups to achieve this?

- Is the ARTF sufficiently flexible to accommodate *operational* changes (for example reallocating funds from one project to another)? If not, what should be changed?

- What can or should the ARTF partners – World Bank, donors, Government – do to improve ARTF outcomes?

2 Government Ownership and Results

- What are your views/experiences on Government ownership of the ARTF? In which areas could or should it be enhanced (i.e. governance bodies, administrative functions, portfolio management, fiscal management, reporting)?

- Does greater Government ownership of ARTF resources require any specific actions, benchmarks, expected results?

- How do you assess ARTF portfolio achievements regarding national development objectives? How are achievements regarding gender, conflict sensitivity, poverty reduction? What can be improved?

3 Structure and Performance of the ARTF

- How do you assess the *performance* and *importance* of ARTF governing and administrative bodies (Steering Committee, Management Committee, Strategy Group, Gender Working Group, Incentives Program Working Group, ARTF management unit)? [*this is a huge issue – we are just looking for brief assessments*].

- How do you assess the *performance* and *importance* of ARTF tools and mechanisms (ARTF Scorecard, Monitoring Agent, Supervisory Agent, the various ARTF meetings)? [*this is a huge issue – we are just looking for brief assessments*].

4 Institution and Capacity Building

- How do you view the ARTF's approach to capacity building? How would you assess the capacity building results in projects you are familiar with? In the Capacity Building for Results (CBR) program? What can account for positive results, for short-comings?

5 Results Monitoring and Reporting

- How do you assess the ARTF monitoring and results reporting:
  - The current ARTF Scorecard? The proposed revisions?
  - Internal Bank reporting (implementation supervision mission, ISM; mid-term review, MTR; implementation completion and results reports, ICRRs)?
  - Supervisory Agent reporting?
  - Monitoring Agent reporting?
  - Other reporting: External project reviews and evaluations – donor-generated reports/reviews/evaluations?
  - Regarding ARTF reporting, what do you find particularly useful? What do you feel can be improved?
- What are your views on the feasibility and desirability of transferring more of the monitoring and results reporting to Government?

6 Summing Up

- Are there particular issues, concerns you have regarding the ARTF?
- Recommendations you would like to see?
- Overall messages you think are important?

Thank you very much for your time!

Attachment B: Survey Questionnaire

*Scanteam has been contracted by the World Bank to review the performance of the Afghanistan Reconstruction Trust Fund, ARTF. This survey is an important part of the review, and we therefore appreciate it if you could take the time to answer the questions below by **25 August**.*

1. **I represent (please tick one box):**
    - Government of Afghanistan
    - ARTF donor office in Kabul
    - ARTF donor head office
    - World Bank Afghanistan management (Kabul and Washington)
    - World Bank TTL on ARTF funded project
    - ARTF monitoring and supervisory staff

Please rate your level of agreement with the statements below by marking the appropriate answer:
    1   Strongly disagree
    2   Disagree
    3   Neither agree nor disagree
    4   Agree
    5   Strongly agree
    9   Not sure, no opinion

2 Flexibility of ARTF mechanisms

The ARTF is flexible and adjusts its portfolio to align with the Government's development priorities	1	2	3	4	5	9
The ARTF should channel its funds more around sectors and larger programs and less to particular projects	1	2	3	4	5	9
The ARTF should shift its resources from the recurrent window (budget support) towards the Investment Window (project funding)	1	2	3	4	5	9
The ARTF easily/flexibly re-allocates resources from one project to another	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

3 Donor pledges and preferencing

Donor *pledging* is sufficiently predictable to allow for long-term planning around Government priorities	1	2	3	4	5	9
Donor *preferencing* enables donors to provide more resources to the ARTF than they otherwise would have	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

4 Government ownership of the ARTF

Government has shown strong *ownership* of the ARTF	1	2	3	4	5	9
Government should be given greater responsibility in the *administration* of the ARTF	1	2	3	4	5	9

Government should be given greater responsibility in deciding the ARTF *portfolio*	1	2	3	4	5	9
Government should be given greater responsibility for ARTF *financial management*	1	2	3	4	5	9
Government should be given greater responsibility for ARTF *results reporting*	1	2	3	4	5	9
Government should be given greater responsibility for ARTF *auditing*	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

5 Institutional arrangements

The ARTF governance structure overall is efficient	1	2	3	4	5	9
The ARTF Steering Committee is an effective decision-making body	1	2	3	4	5	9
The Management Committee provides important value-added to the management of the ARTF	1	2	3	4	5	9
The Strategy Group is an effective forum for deciding ARTF strategy issues	1	2	3	4	5	9
The Strategy Group is an effective forum for discussing ARTF project pipeline/portfolio	1	2	3	4	5	9
The Gender Working Group is an effective forum for promoting the Government's gender objectives	1	2	3	4	5	9
The Incentives Program Working Group has delivered important value-added inputs to the ARTF's portfolio	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

6 ARTF and national objectives

ARTF funded activities provide documentable positive contributions to GIRoA's national development priorities	1	2	3	4	5	9
ARTF funded activities provide documentable positive contributions to GIRoA's gender objectives	1	2	3	4	5	9
ARTF funded activities provide documentable positive contributions to GIRoA's conflict reduction objectives	1	2	3	4	5	9
ARTF funded activities provide documentable positive contributions to GIRoA's poverty reduction objectives	1	2	3	4	5	9
Overall, ARTF is an effective mechanism for channeling donor funds for supporting the attainment of GIRoA's objectives	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

7 Capacity building

The ARTF has a well-documented capacity building strategy	1	2	3	4	5	9
The ARTF projects are providing capacity building results in line with plans/expectations	1	2	3	4	5	9

The ARTF Supervisory Agent is providing capacity building results in line with plans	1	2	3	4	5	9
The ARTF Monitoring Agent is providing capacity building results in line with plans	1	2	3	4	5	9
The ARTF Research and Analysis Program is providing effective contributions to ARTF programming	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

8 Bank-provided planning, monitoring, evaluation and results reporting

ARTF has a good quality assurance system (results framework, results monitoring and reporting) in place	1	2	3	4	5	9
ARTF project and program preparation is of high quality	1	2	3	4	5	9
ARTF internal project reporting (implementation supervision mission, mid-term reviews, implementation completion reports) presents evidence-based results	1	2	3	4	5	9
ARTF project reporting addresses relevant questions	1	2	3	4	5	9
The ARTF Scorecard provides robust/credible performance ratings	1	2	3	4	5	9
ARTF results information is provided in an easily understandable format	1	2	3	4	5	9
The ARTF Scorecard provides good *Output* reporting	1	2	3	4	5	9
The ARTF Scorecard provides good *Outcome* reporting	1	2	3	4	5	9
ARTF results information is easily accessible	1	2	3	4	5	9
Overall, ARTF reporting is comprehensive	1	2	3	4	5	9
Overall, ARTF reporting is of high quality	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

9 Monitoring and Supervisory Agents' monitoring and results reporting

Supervisory Agent reporting presents evidence-based findings and conclusions	1	2	3	4	5	9
Supervisory Agent reporting addresses relevant questions	1	2	3	4	5	9
Supervisory Agent reporting leads to operational improvements	1	2	3	4	5	9
Monitoring Agent reporting presents evidence-based findings and conclusions	1	2	3	4	5	9
Monitoring Agent reporting addresses relevant questions	1	2	3	4	5	9
Monitoring Agent reporting leads to operational improvements	1	2	3	4	5	9

Please provide any comments to the issues above in the box below

Attachment C: Document Review Guide – Coding Sheet

These are the codes that the team used when classifying data in documents and interview notes, for easy compilation, synthesis when identifying the evidentiary basis for findings.

- **ARTF Governance**:
    - Alignment
    - Steering Committee
    - Management Committee
    - Government
    - World Bank TF manager
    - Donors
    - Strategy Group
    - Gender Working Group
    - Incentive Program Working Group
    - Monitoring Agent
    - Supervisory Agent
- **ARTF Financial Management**:
    - Flexibility
    - Financing Strategy
    - Financial reporting
    - Preferencing
    - Tranching of funds
    - Budget reallocation, projects
    - Restructuring, portfolio
    - Balance between Investment and Recurrent Cost windows
- **Capacity Building**:
    - Capacity Building for Results project
    - Monitoring Agent capacity building
    - Supervisory Agent capacity building
    - Other capacity building
- **Education/EQUIP II**:
    - Project reporting
    - Project management/ PIU
    - Project achievements
    - Project capacity building
- **Health/SEHAT**:
    - Project reporting
    - Project management/ PIU
    - Project achievements
    - Project capacity building

- **Follow-up of 2012 Recommendations**:
    - Activities
    - Results

- **Alignment to GIRoA Policies:**
    - ○ ARTF portfolio/ program
    - ○ Alignment to NPPs (sector level)
    - ○ Project adjustments/alignment to GIRoA priorities
- **Conflict Sensitivity**:
    - ○ ARTF as program
    - ○ Project level
- **Gender:**
    - ○ ARTF as program
    - ○ Project level
- **Poverty Reduction:**
    - ○ ARTF as program
    - ○ Project level
- **Research and Analysis Program:**
    - ○ Activities
    - ○ Results
- **Monitoring, Evaluation, Results Reporting:**
    - ○ ARTF web-site
    - ○ ARTF communications, outreach
    - ○ ARTF management reporting
    - ○ ARTF Scorecard
    - ○ ARTF project internal reporting (ISM, MTR, ICRR …)
    - ○ Monitoring Agent reporting
    - ○ Supervisory Agent reporting
    - ○ Other (external) reporting, reviews, evaluations

Other fields ("descriptors") will identify (i) document theme, (ii) document source.

Annex E: Capacity Development

In order to ensure conceptual clarity regarding what is meant by *Capacity Development*, the following definition is seen to reflect 'good practice' uses in key international bodies while also providing a more operational and thus potentially monitorable usage: *"The ability of individuals, organisations and institutions/ society to address assigned tasks, solve problems, and set and achieve new objectives, in a sustainable manner"*[44].

This definition lays out the societal levels of capacity concerns as being *institutional* ("frameworks"), *organisational* (improving organisational structure, focus, priorities and management) and *individual* skills. Individual skills needs are now commonly analysed in light of what the *organisation* where the individual/s work, actually requires – and how to ensure that this capacity remains sustainable once the capacity development activity is concluded. This is the issue that has come up with regards to the CBR, that its links to the Afghanistan Civil Service Institute, ACSI, has been poor, and that ACSI's role vis-à-vis the training centers and institutes under the various line ministries appear weak and unsystematic. There does therefore not appear to be a systematic approach to building public sector capacities in a country of 35 million inhabitants and over 400,000 civil servants.

Box E.1: Organisations versus Institutions

The distinction between "organisations" and "institutions" is important when discussing capacity development and overall societal transformation and development:

- *Organisations* are groups of individuals bound by a common purpose to achieve objectives. Organisations have a clear boundary that separates them from other actors and the external environment. They control performance and, therefore, are accountable for results. This can be public sector agencies that have policy, oversight or implementation roles (ministries/ departments, institutes, directorates) or other actors such as NGOs, CSOs, unions, faith-based organisations, private / public companies, etc.

- *Institutions* are the structures and mechanisms of social order and cooperation that govern behaviour and decisions by individuals, organisations and societies. They are formal rules (laws and regulations, international conventions and compacts), informal constraints (conventions, norms of behaviour, codes of conduct), and the enforcement characteristics of both.

Organisations can be *institutions*. Ministries are *organisations* that have objectives, operations and staff. They act as *institutions* when they set rules for others by passing laws or define objectives for a sector. In the words of Douglass North, Nobel prize winner for his work on institutional economics, "*institutions are rules of the game, organisations are the actors playing the game*" (North 1989, 1990).

The definition above can be operationalized in the matrix below. This matrix can be used both to better understand what kinds of technical cooperation has in fact taken place – often a source of major confusion in many studies – and provide greater consistency regarding how one might track performance of capacity development activities[45]:

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[44] This is an amalgamation of UNDP's definition **"**The ability to perform functions, solve problems, and set and achieve objectives" (UNDP 2006, "Capacity Development and Aid Effectiveness: A UNDP Capacity Development Resource"), and that of the Governance Network (GOVNET) in OECD/DAC "The ability of people, organisations and society as a whole to manage their affairs successfully" (OECD/DAC 2006, "The Challenge of Capacity Development: Working towards Good Practice." OECD Papers **6**(1): 58-94).

[45] Traditional capacity building activities with "experts and counterparts" were largely in the top-left quadrant: transmitting known knowledge with the understanding that the main challenge was a lack of individual technical skills. Today, capacity development efforts with Supreme Audit Institutions (SAIs), while they include organisational structure and set-up, they largely remain in the first column of "performing assigned tasks" since there are international standards and criteria for the skills and performance required of these bodies set by the International Organisation of SAIs (INTOSAI), and the project is structured to ensure performance to these standards.

Table E.1: Capacity Development Matrix

Societal Level	Task Complexity		
	Perform Tasks	Solve Problems	Set/Achieve New Objectives
Individual			
Organisational			
Institutional/Societal			

Building *institutional/societal* capacity ("frameworks") typically involves changing "rules of the game", which is often a political act (see box E.1). Building the capacity of an *organisation,* which usually already has a mandate and a set of rules and policies it is expected to execute, has more to do with organisational structure, purpose and the skills and competencies of its staff. At the *individual* level, capacity development now focuses on building the human resources that organisations need to carry out their functions, and the increased capacities should be embedded in the organisation in a sustainable way: if trained individuals leave, the organisation should have the capacity to replace this. Progress at each of these levels thus needs to be monitored separately since the "units being capacity developed" are so different and thus require quite different instruments to track and register.

The definition further identifies the complexity of tasks to be completed, which is important for identifying useful instruments for assessing the results of capacity support provided:

- *Performing Functions* assumes not only that the task is well defined, but also how it should be carried out; both the "what" to do and the "how" to do it are largely pre-determined. Traditional methods of *training* (at individual level) and *organisational reforms* (at organisational level) are typically seen as appropriate.

- The second field of *Solving Problems* is more complex. The "what" to be achieved is often clear but the "how" depends on the context and often is not obvious to external actors. The key external skill may often be *mentoring*: assisting national authorities to understand, select, apply and adapt experiences, their own experience and that of other countries, and to critically assess and modify results produced.

- *Set and Achieve New Objectives* by definition means that even the "what" is unknown. The external input that may assist is *facilitation skills* to support local discussions, analysis and decision-making processes and other support that allows local actors to critically re-think what they are doing, how they are doing it, and why. What also needs to be noted is that once a reflection process has been concluded and new objectives defined, they often can be addressed through known means – the capacity development that is required suddenly is back to column 1 since now it is clear *what* needs to be done and usually also *how* it can be addressed.

Of the five DAC evaluation criteria of Relevance, Efficiency, Effectiveness, Impact and Sustainability, only Efficiency and Effectiveness are to be included in this study. That means that in the classic results chain, it is evaluating Outputs and in particular Outcomes – the results from applying the Outputs – that are the focus of attention.

Outcome measurement has always been a challenge, especially when it comes to capacity development. This is because many of the expected Outcomes are slow in being produced, they are often difficult to operationalize and identify, and attribution tends to be particularly acute in this field. One approach to overcoming *some* of these methodological problems is to look at what the World Bank Institute (WBI) calls Intermediate Outcomes (see box 2). These are core to its Capacity Development Results Framework (CDRF), where the idea is that they allow for verification of whether a capacity development process is moving in the intended direction. While it cannot document that the actual result will be as foreseen, it provides greater certainty that a process or programme is on the right track,

and a likelihood that final results will be produced. It does not solve the even greater problem of documenting final Impact (which World Bank Results Frameworks do not include, incidentally – it is found to be unrealistic to document within a reasonable time horizon), but the Impact dimension is not to be included in this task unless where feasible, according to the TOR.

Box E.2: Using Intermediate Outcomes

One way of addressing the problem of not being able to measure Outcome effects until several years down the road is to apply the World Bank Institute's (WBI) Capacity Development Results Framework (CDRF) and its focus on Intermediate Outcomes.

The WBI was mandated by World Bank management to find how the Bank could improve its capacity development monitoring, since this has consistently been identified as a weakness in the Bank's work[46]. The WBI ended up identifying three Intermediate Outcomes, based on a partnership model that assumes that the two parties engaged in the capacity development efforts must both be held accountable for improvements (the WBI talks about Demand and Supply Institutions, which in the context of Norwegian assistance would be the two signatories to a funding agreement). The local institutions need to strengthen their ownership to the process, while the external partner should assist in increasing the efficiency of the policy instruments, and improve the effectiveness of organisational arrangements (see figure 1 below).

The argument for this approach is that since Outcomes are so far out the delivery chain, it becomes important to find good benchmarks that document that the process is moving in the right direction. A WBI finding was that successful capacity development processes, in order to deliver on the programme Outcomes, first need to produce these intermediate Outcomes. A good CD process will therefore have these three areas as key intermediate deliverables, in addition to the specific Outputs, as indicators of likely Outcome success.

Figure E.1: WBI Capacity Development Results Framework

Source: World Bank Institute (2012), "Guide to Evaluating Capacity Development Results: A collection of   guidance notes...". Diagram 2 p. 14. Washington DC, December.

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[46] See the World Bank's Operation Evaluation Department (now: Independent Evaluation Group) (2005), "Capacity Building in Africa: An OED Evaluation of World Bank Support". Washington DC, April. The WBI presented its subsequent work to the OECD/DAC's 4th High Level Meeting on Aid Effectiveness in Busan/South Korea in November 2011, where it was accepted as a *good practice* approach – see Samuel Otoo, Natalia Agapitova and Joy Behrens (2009), "The Capacity Development Results Framework: A strategic and results-oriented approach to learning for capacity development". WBI, Washington DC, June.

The challenge is linking the various capacity building activities at project or program level, to the overarching objectives, as defined by the Government's ANPDF, the Sustainable Development Goals, and the sector-level intermediate level objectives laid out in NPPs. The World Bank Institute model is one way of verifying that what is defined in the various NPPs can be operationalized to the point where it is possible to track basic capacity development changes. The conceptual framework can be used when designing interventions, to ensure that it is clear what kinds of capacity development one is pursuing, what kinds of external assistance (skills sets) one is looking for, how these are to be derived from and contribute to the organization's needs and priorities.