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# Effectiveness of Development Assistance in Afghanistan: Lessons from the World Bank Experience

Omar Joya and Khalid Payenda

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## Acronyms and Abbreviations

| | |
|---|---|
| AAA | Advisory & Analytical Activities |
| ADB | Asian Development Bank |
| AEP | Afghan Expatriate Program |
| ANDS | Afghanistan National Development Strategy |
| ARTF | Afghanistan Reconstruction Trust Fund |
| BPHS | Basic Package of Health Services |
| CBR | Capacity Building for Results project |
| CCAP | Citizen's Charter Afghanistan Project |
| CDC | Community Development Council |
| CDD | Community-Driven Development |
| CPF | Country Partnership Framework (World Bank) |
| CSCBP | Civil Service Capacity Building Project |
| CSR | Civil Service Reform project |
| DFID | Department for International Development |
| DLI | Disbursement Linked Indicators |
| DPG | Development Policy Grant |
| DPO | Development Policy Operation |
| EPAP | Emergency Public Administration Project |
| EPHS | Essential Package of Health Services |
| EQRA | Education Quality Reform in Afghanistan project |
| EQUIP | Education Quality Improvement Project |
| EU | European Union |
| FCS | Fragility and Conflict-affected Situation |
| FCV | Fragility, Conflict, and Violence |
| FP | Facilitating Partner |

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|---|---|
| FPIP | Fiscal Performance Improvement Plan |
| FS | Financing Strategy (ARTF) |
| FSP | Fiscal Performance Improvement Support Project |
| GA | Gozar Assembly |
| GoA | Government of Afghanistan |
| HSERD | Health Sector Emergency Reconstruction and Development project |
| IARCSC | Independent Administration Reform & Civil Service Commission |
| ICR | Implementation Completion & Results report |
| IDLG | Independent Directorate of Local Governance |
| IEG | Independent Evaluation Group |
| IP | Incentives Program |
| ISN | Interim Strategy Note (World Bank) |
| IDA | International Development Association |
| IPF | Investment Project Financing |
| LEP | Latent Entry Program |
| M&E | Monitoring & Evaluation |
| MAIL | Ministry of Agriculture, Irrigation and Livelihoods |
| MCP | Management Capacity Program |
| MEC | Independent Joint Anti-Corruption Monitoring & Evaluation Committee |
| MoE | Ministry of Education |
| MoF | Ministry of Finance |
| MoPH | Ministry of Public Health |
| MRRD | Ministry of Rural Rehabilitation & Development |
| NATO | Northern Atlantic Treaty Organization |
| NEEP | National Emergency Employment Program |
| NGO | Non-Governmental Organization |
| NPP | National Priority Program |

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|---|---|
| NRAP | National Rural Access Program |
| NSP | National Solidarity Program |
| NTA | National Technical Assistance/Advisor |
| O&M | Operations & Maintenance |
| OECD | Organisation for Economic Cooperation and Development |
| P4R | Program for Results |
| P&G | Pay & Grading |
| PACB | Public Administration Capacity Building project |
| PFFP | Partnership Framework and Financing Program (ARTF) |
| PFMR | Public Financial Management Reform project |
| PIU | Project Implementation Unit |
| PMU | Provincial Management Unit |
| PRR | Priority Reform & Restructuring |
| RBF | Results Based Financing |
| RCW | Recurrent Cost Window |
| RRA | Risk & Resilience Assessment |
| SCD | Systematic Country Diagnostic |
| SEHAT | System Enhancement for Health Action in Afghanistan project |
| SHARP | Strengthening Health Activities for the Rural Poor project |
| SNSS | Strengthening the National Statistical System project |
| SRF | Statistics for Results Facility project |
| TAGHIR | Tackling Afghanistan's Government HRM & Institutional Reforms project |
| TA | Technical Assistance |
| TAF | Technical Assistance Facility project |
| TAFSU | Technical Assistance & Feasibility Studies Unit project |
| TF | Trust Fund |
| TSS | Transitional Support Strategy (World Bank) |

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| TTL | Task Team Leader |
| UNDP | United Nations Development Programme |
| US | United States |
| USAID | United States Agency for International Development |
| WB | World Bank |
| WDR | World Development Report |

## Executive Summary

The World Bank and ARTF operations have been central to the post-2001 reconstruction and development in Afghanistan, having had a combined cumulative disbursement of about US$ 16 billion to date. Over the years, the World Bank–ARTF portfolio included investment projects in education, health, rural development, agriculture, urban development, infrastructure, energy, private sector, public financial management, and civil service administration. Budget support operations, including the ARTF's Recurrent Cost Window, and the IDA-funded Development Policy Operations (DPOs), have been at the core of Bank's engagement in Afghanistan, which have supported important structural policy reforms. These budget support operations have consisted of both conditional and non-conditional discretionary resource disbursements to finance the government's non-security costs.

Using secondary research, this paper reviews the World Bank–ARTF operations and engagement in Afghanistan, since 2002, to address the following questions: (1) whether – and how – the World Bank–ARTF portfolio and engagement approach have changed over time and whether they have been relevant and responsive to the *temporally evolving* developmental needs of the country; (2) what macro-operational features and project designs of World Bank–ARTF portfolio and their policy approaches have been more effective in terms of service delivery, organizational-level capacity building, and improvements in governance and institutional environment; and (3) have the World Bank and the ARTF donors been able to adapt to reflect the 'lessons learned' over time?

The findings of the study are as follows:

### 1. Portfolio Alignment and Relevance

Overall, the World Bank–ARTF portfolio has been highly relevant and responsive to Afghanistan's evolving development needs in the past two decades, as also confirmed by the Independent Evaluation Group's assessment of Bank's first decade of engagement in Afghanistan (IEG, 2013, p. 109).

The World Bank re-started its engagement in Afghanistan in 2002 by supporting the establishment of foundational structures and mechanisms in public financial management and civil service administration, ensuring the delivery and expansion of basic health and education services, and supporting rural community development and access. During the Expansion Phase (2006-2010), the focus was on expansion of these services both in infrastructure and human capital sectors, building on previous gains, and on institutional reforms in public administration, financial management, and civil service administration. The gender agenda also became a more visible dimension in Bank projects. Most projects designed and implemented in these two periods (i.e. from 2002-2010) were 'emergency' in nature and had short-term focus.

In the Transition Phase (2011-2014), the World Bank correctly put the "inclusive growth" agenda at the core of its operational and development strategy in Afghanistan. Government and community capacities to manage and respond to national disasters, climate change and gender mainstreaming were also integrated in the Bank's development portfolio. In the Post-Transition Phase (2015-2020), "fragility" became a critical element in the Bank's development perspective. Furthermore, in sectors such as public financial management, civil service administration, and health, the Bank moved away from 'projectized' interventions to 'sector-wide' and 'programmatic' approaches. There was also increasing use of results- and performance-based lending instruments in sectors such as education.

## 2. Operational Approaches

**Lack of long-term programming has affected the effectiveness of Bank–ARTF programs.** Since its re-engagement in 2002, the World Bank has developed 2- to 4-year strategy plans (ISNs and CPFs) which guided its portfolio and interventions in Afghanistan. This unwillingly – and naturally – imposed 'short-termism' in the development approach of the World Bank. The Independent Evaluation Group notes that the "Bank Group strategy under the 2006 and 2009 Interim Strategy Notes (ISNs) was slow to evolve beyond the initial foundations for development to a longer-term strategy for sustainable growth" (IEG, 2013, p. xiv). Given that these strategy plans were implicitly evaluated against their short- to medium-term outcomes during the course of their implementation period, Bank experts and management were naturally tempted to select and devise projects that could be successfully evaluated against their results or outcomes in the short- to medium-term.

**Tapping on the operational capacity of NGOs in sectors where government capacity was lacking enhanced service delivery, and – in turn – social contract and resilience.** In 2002, when the Interim Administration succeeded the Taliban, state legitimacy was at its weakest and the new government needed to urgently respond to the needs of the people in order to endure the peace and prevent grievances from building up. However, the Government faced serious capacity issues. The Bank and the ARTF donors rolled out the National Solidarity Program in 2003 by employing 21 "facilitating partners" that came from the NGO community. In health, it was agreed that health services would be contracted out to NGOs and the government would focus on a stewardship role. Empirical evidence now shows that, despite relying on the NGOs in sectors such as health, rural development, and microfinance, the World Bank–ARTF operations through their support for service delivery have strengthened social contract between the state and its citizens (Beath et al., 2015; Pain and Jensen, 2015), reduced violence and insurgency (Beath et al., 2017), and increased resilience (Coburn et al., 2019). However, the impact on state legitimacy is unclear due to local power dynamics.

**Graduate shift from 'short-term focused' interventions to programmatic, sector-wide, and results-based operations, with better appreciation for 'fragility' factors in the country.** In the first decade of post-2001 operations, most Bank–ARTF projects were emergency in nature and short-term focused. Some of these emergency operations were justified in the initial years (i.e. Reconstruction phase: 2001-2005) given the urgency to support short-term interventions. However, such short-term focus did persist in the Bank's approach throughout the Expansion Phase (2006-2010) and even the Transition Phase (2011-2014). Since 2014, the World Bank has gradually moved away from emergency, short-term focused projects to programmatic, sector-wide operations. Projects such as SEHAT (2014-2018), FSP (2017-2022), TAGHIR (2019-2022) and

EQRA (2019-2023) have attempted to consolidate parallel financing mechanisms under a single operation, move towards a 'de-projectized' approach, and adopt results-based arrangements. Furthermore, for the first time, World Bank's 2017-2020 Country Partnership Framework (CPF) used "fragility" as one of the selectivity filters for identifying the strategic pillars of its engagement in Afghanistan. Prior to that, previous analytical reports and strategy documents never looked at the development challenges and opportunities from a "fragility" lens. Had this approach been adapted earlier in 2002, the development impact of the World Bank–ARTF interventions – particularly with respect to growth "inclusiveness" – might have been more significant.

**Continued long-term investment and consolidation of smaller parallel projects generate better results due to economies of scale, and sequential and incremental investments.** During the periods of Reconstruction (2001-2005) and Expansion (2006-2010), the World Bank–ARTF portfolio consisted of several small projects running in parallel in the same sector, sometimes with overlapping objectives & activities. During the Transition period (2011-2014), smaller parallel projects were consolidated under a single, yet larger, projects. Evidence shows that larger projects led to better results, compared to smaller 'piecemeal' projects that ran in parallel in the same sector. This might be because larger projects offer 'economies of scale' that helps in leveraging better policy/investment impact. Moreover, strengthening institutions in fragile states requires long-term engagement, and support to sequential, incremental interventions.

**Sound analytical work and scenario analysis have helped improve development outcomes.** Bank's in-depth analysis of the economics of transition (Hogg et al., 2013) ahead of the Tokyo Conference in 2012, long-term fiscal sustainability analysis ahead of the Brussels Conference in 2016 (Joya et al., 2016; Claudia et al., 2018), and scenario analysis for the post-Peace settlement (Haque, 2019) helped inform medium-term programming for Bank's engagement in the country at critical times and in periods of heightened uncertainty. The Independent Evaluation Group believes that the Bank's use of "sound analytical work, in the form of up-front analysis and judicious use of non-lending technical assistance (NLTA), appears to have positively influenced outcomes" of its operations and investment projects in Afghanistan (IEG, 2013).

**Staff continuity and low staff turnover are important for project success.** Projects with high turnover of project TTLs have performed less satisfactory (and have even failed). For instance, in public administration, the Civil Service Reform project (2007-2011) which had as many as four TTLs in the course of four years faced huge implementation challenges (WB-ICR, 2012), while its sister project, Public Financial Management Reform (2007-2011), which had continuity in its TTL-ship from inception through completion had a 'satisfactory' performance (WB-ICR, 2012c). While growing security threats led the Bank management in 2017 to reduce its footprint in Kabul and relocate most of its international staff to Dubai, continuity in task team leadership and lower staff turnover has proven to be important for project success.

**Simplicity in project design and customization to local political economy context are associated with program success. However, this lesson has not consistently been taken into account.** The success of major projects, such as the NSP or SEHAT, lied in their simplicity (IEG, 2013; WB-

ICR, 2007, 2019b). The SEHAT project, for instance, maintained a clearly prioritized focus on the most important services, and kept the project design simple. The National Solidarity Program, in the course of its three rounds of project implementation, kept the arrangements simple despite involving 21 facilitating partners (FPs) in the beginning by using simple monitoring contracts for the FPs and using simple processes for the block grants to communities. However, this lesson learned was not always incorporated across the Bank–ARTF portfolio. Recently, the Citizen's Charter (CCAP) adopted a more complex design, contrary to the approach under the previous rounds of NSP. Studies have shown that complex projects, in spite of being designed on international best practices, sometimes fail in fragile states because of capacity constraints in the implementing agencies or because of ignoring political economy realities in the ground (ADB, 2012; IEG, 2016; WDR, 2017).

## 3. Policy Reform Objectives

**Incentivization of structural reforms has been broadly effective.** Over the years, the ARTF Recurrent Cost Window – which provided discretionary financing to the Government – moved gradually from providing core budget support (through its Baseline Facility) with minimal conditionalities towards greater incentivization of policy and institutional reforms for fiscal sustainability (through the Incentives Program). An evaluation of the ARFT RCW found that the operation was highly relevant as it allowed a coordinated on-budget financing through a single mechanism with strong fiduciary safeguards and avoided problems of aid coordination and fragmentation observed in other aid-recipient countries (Haque and Nassif, 2020). The IP was broadly successful because it encouraged government ownership of the reforms by selecting and identifying the reforms for incentivization in close dialogue with the government and within a 'partnership' spirit.

**Bank–ARTF–supported service delivery has had little impact on state effectiveness and legitimacy.** The World Bank and the ARTF have supported service delivery in many sectors, which has led to tremendous progress in human development and economic well-being and to substantial improvements in development outcomes (IEG, 2013; Scanteam, 2017). Furthermore, while Bank's operations for policy reforms (i.e. IP & DPG) have been broadly successful in meeting their specific policy objectives, their impact on the overall state effectiveness and legitimacy is unclear. Over the past two decades, Afghanistan has hardly made any progress in accountability and transparency indicators and in broader institutional qualities. State legitimacy has remained weak, as indicated by growing insurgency and conflict and worsening political instability. There has been some progress in state capacity, demonstrated by an increase in budget expenditures and revenue mobilization; however, the country is far from achieving fiscal self-sufficiency (Haque, 2019; Joya, 2020). Furthermore, empirical studies on Bank–ARTF projects such as the NSP and CCAP have also found that service delivery through these projects have not strengthened state legitimacy in Afghanistan (Beath et al., 2015, 2017; Coburn et al., 2019).

**Notwithstanding some important strides, progress in civil service reforms has overall been slow due to local political economy context and distortion of incentives by massive aid inflows.** Over the past two decades, on-budget donor-funded projects despite being embedded within the line ministries were primarily run by national and international technical assistants (TAs) due to lack of qualified civil servants. This led to emergence of a 'parallel civil service' in the country, with a huge gap between the salary/pay structures of the two. Despite some important steps (such as roll-out of Priority Reform & Restructuring program in 2004, Pay & Grading reform in 2008, and harmonization of NTA scales in 2016), progress in civil service reforms has been overall slow and lagging (Byrd, 2007; Blum et al., 2019) mainly due to political economy challenges.

## 4. Engagement with Stakeholders

**Government ownership has overall increased, albeit heterogeneously across sectors.** Although almost all Bank-funded projects continue to rely on project implementation units supported by national TAs, the degree of reliance has reduced in recent years, thanks to increased technical and operational capacities in government departments. In EQRA and Sehatmandi projects, government's departments have greater role in project implementation. Most importantly, TAGHIR and FSP projects are being implemented by IARCSC and MoF, respectively, without the use of project implementation units. However, dependence on TAs and PIUs is not uniform across all sectors. There is huge variation in this respect, depending on relevant ministries capacities and their eagerness for improved ownership.

**Lack of coordination among donors, especially in the initial years, slowed reform progress in some sectors and may have led to huge efficiency losses overall.** The ARTF has helped bring complementarity, coordination, and harmonization in donors' support and assistance to Afghanistan. Nevertheless, shortcomings in donor coordination in some policy areas have come at the cost of reform implementations. For instance, in public administration, the Pay & Grading reform launched in 2008 was "seen as a lower-priority technocratic reform, received little or no political/diplomatic support by influential stakeholders, in particular by the United States or the United Kingdom, in the face of growing security concerns" (Blum et al., 2019), and as a result fell short of achieving its objectives. On the other hand, misalignment in donor's salary scales for national TAs undermined government's efforts in civil service reforms over the years, until the donors agreed to harmonize their TA pay scales after 2016.

**ARTF has remained limited to traditional Western donors.** Funding for the ARTF has strictly come from traditional Western donors, who initially proposed to establish the ARTF in 2002. Over the ARTF's lifetime of 18 years, the World Bank as its Administrator and the Ministry of Finance as a member of its Steering Committee have been unable to attract non-traditional donors to contribute to the ARTF. While expanding the ARTF donors may not have seemed priority in the past, it is now becoming an important agenda to consider given increased risks to post-Peace settlement funding commitments and the growing donor fatigue in the post-Covid period.

## 5. Recommendations:

Based on the above findings, the paper recommends the following:

- The World Bank should develop a long-term strategic framework – for instance, with a timespan of 20 years – that would set long-term questions for Afghanistan as anchors that would guide its 2- to 4-year strategy plans or partnership frameworks. As such, long-term objectives will not be faded or crowded out by short-term priorities that periodically change due to political and social developments. This will also give a better framework to assess the risks of certain projects over a longer period of time (e.g. 20 years), which would otherwise seem unsustainable or subject to high risks if evaluated within 4-year time horizons.
- Simplicity in project design must be considered across the board in the Bank–ARTF portfolio. Complex project designs should be avoided in all contexts. Furthermore, policy reform programs or investment projects should be sensitive to local political economy realities, and strike a balance between 'aspiration/ desirability' and 'feasibility/ realism'. In other words, both 'political feasibility' and 'administrative feasibility' of the reforms or project activities should be taken into account, besides their technical consistency and coherence. To better capitalize on this, the concept & decision review meetings for Bank operations may consider giving more weight to peer reviewers who are familiar with the country context, e.g. Afghan experts outside the Bank, and Bank staff working in FCV contexts. This may help better contextualize project design to local specificities.
- Given that Afghanistan is a conflict environment and a non-family posting country for the World Bank, it is naturally difficult for the Bank management to attract qualified staff in all of its thematic sectors/units for the Afghanistan Country Team. It is therefore important that the Bank management improve the incentive mechanisms for staff to better and easily attract qualified experts in various sectors to join its Country Team in Afghanistan.
- It is important that the World Bank Group be less ambitious and more realistic in terms of what and how much can be achieved in state-building functions, as similarly advised by the 2011 World Development Report (WDR, 2011). Bank's country partnership frameworks should therefore set more achievable strategic objectives for its assistance in state-building functions.
- While TAGHIR has incorporated some of the lessons learned from the previous civil service reform and capacity building projects, it is crucial that the task team (as well as the Bank management) fully take into account the full spectrum of lessons learned identified by the ICRs of the previous projects and other evaluations in the course of the project's implementation.
- The Bank and the ARTF should develop a comprehensive capacity building strategy – which is currently lacking – that would devise a long-term, sustainable and programmatic approach to increasing technical capacity in government institutions for eventual transfer of project implementation functions to core civil service in line ministries (Scanteam, 2017). Progress in civil service reforms such as development of professional cadres and a fiscally sustainable competency-based pay scale – as envisaged under the TAGHIR project – are also crucial for such capacity transfer to materialize.
- Given the growing donor fatigue – as reflected in the Geneva Conference in November 2020, shrinking foreign aid in the post-Covid era, and the heightened uncertainty on the post-Peace

settlement political structures in the country, it is ever more important to expand the coverage of the ARTF beyond the current donors to include potential regional donors who have already shown commitments for the post-peace development process in Afghanistan. The Government (and the World Bank) may use the ARTF as a ‘consensus-building instrument’ among the future donors.

# 1. Introduction

Afghanistan experienced an unprecedented pace of economic development after 2001. While significant progress had taken place in infrastructure development, service delivery, and economic growth in 1960s and 1970s when the country enjoyed political stability and a gradual shift towards democracy, progress in the two decades after 2001 – supported by massive inflow of foreign aid – are historically unmatched. Increases in income and in standard of living, expansion of basic services such as health and education, and development of physical infrastructure, in spite of failures in poverty reduction, gender equality, and institutional building, have been substantial. Despite the adverse effects of foreign aid in Afghanistan such as fueling corruption, skewing the power relations in favor of the elites, and disincentivizing the development of efficient institutions (Delesgues, 2007; Savage et al., 2007; Gardizi et al., 2010; Alexander et al., 2012; Mehran, 2013; SIGAR, 2016; Harmer et al., 2017; Bak, 2019), aid has been irrefutably the critical enabling factor for economic growth and development in the post-2001 era.

The World Bank, as a multilateral institution, has played a critical role in the delivery of foreign aid to Afghanistan. The country became a member of the World Bank in 1955. Until 1979 when the World Bank operations were suspended in Afghanistan, 21 concessionary credits amounting to US$ 83 million had been disbursed (IEG, 2013). With the end of the civil war and with the United States intervention in 2001, the World Bank operations resumed in May 2002. To date, over $5.1 billion in grants and non-interest credit have been disbursed to Afghanistan by the World Bank's concessionary lending arm, the International Development Association (World Bank, 2020).

The Afghanistan Reconstruction Trust Fund (ARTF) was established by the donors in 2002 to provide a coordinated financing mechanism for the government's budget and national investment programs. In 2012, two-year financing strategies were developed for the ARTF. The on-going financing strategy is called Partnership Framework and Financing Program (PFFP) which covers the period of 2018-2020. Since its inception, 34 donors have contributed nearly $13 billion to the ARTF (ARTF, 2020), making it the largest single source of on-budget financing for Afghanistan's development.

Between 2002 and 2016, the World Bank's engagement and operations were governed by 2-year Interim Strategy Notes (ISNs). After 2016, the Bank moved to 4-year Country Partnership Frameworks (CPFs). The current CPF covers the period of FY2017-FY2021.

The World Bank's and the ARTF's operations in the past two decades have been central to the post-war reconstruction process in Afghanistan. The World Bank–ARTF portfolio over the years has included investment projects in infrastructure, education, health, rural development, agriculture, urban development, energy, private sector, public financial management, and civil service administration. Furthermore, budget support operations, including the ARTF's Recurrent Cost Window, and the Development Policy Operations (DPOs) funded by IDA, have been at the core of World Bank's engagement in Afghanistan. These budget support operations have consisted of both conditional and non-conditional discretionary resource disbursements to finance the government's non-security costs.

This paper reviews the World Bank–ARTF operations and engagement in Afghanistan over time, since 2002, to address the following questions:

1) whether (and how) the World Bank–ARTF portfolio and engagement approach have changed over time and whether they have been relevant and responsive to the *temporally evolving* developmental needs of the country;
2) what macro-operational features and project designs of World Bank–ARTF portfolio and their policy approaches have been more effective in terms of service delivery, organizational-level capacity building, and improvements in governance and institutional environment; and
3) have the World Bank and the ARTF donors been able to adapt to reflect the 'lessons learned' over time?

To address these questions, we employ a secondary research and undertake a desk review of World Bank's CPF/ISNs and ARTF's financing strategies; selected project Implementation Completion Reports (ICRs) in education, health, rural development, civil service administration, and public financial management; and internal and external evaluation reports (i.e., Independent Evaluation Group's report on Afghanistan; ARTF external evaluations, and other evaluative research papers). Annex I provides the list of evaluative literature used in this paper.

To respond to the second question, we do not seek to assess the performance (success or failure) of individual projects or policy programs, i.e. how successful they were in terms of achieving their intended development impacts and/or objectives, nor do we intend to report on the results and tremendous achievements that the Bank has made in the past two decades in Afghanistan. We neither seek to discuss the micro-level project management aspects (e.g., specific fiduciary arrangements, project set-up, etc.). Rather, we focus at broader project design features, macro-operational policies, and programming approaches that have been identified in the evaluative literature to have been effective (or, conversely, to have failed) in addressing the political economy challenges & risks and hence leading to better development outcomes.

## 2. Portfolio Alignment and Relevance

National priorities of countries constantly evolve as they move along their development path. Countries that are able to adapt to evolving institutional, social and economic contexts, promptly and continuously adjust their policies and interventions in light of the emerging constraints and opportunities (without destabilizing the policy and macroeconomic environments), and learn from past policy failures or capitalize on their best practices, are able to achieve better development outcomes.

Since 2001, Afghanistan has come a long away, and its development priorities have expectedly evolved over time. The development trajectory of the country over 2001–2020 could be broken down into the following four phases which we believe disposed distinct features:

1) **Reconstruction phase (2001-2005):** During at least two decades of war and conflict in 1980s and 1990s, almost all physical infrastructure in the country had been destroyed. In post-2001, *reconstruction of critical physical infrastructure* and *initiation of basic services (such as health and education)* were in priority. Development assistance and public spending in the immediate aftermath of 2001 focused on these two activities.
2) **Expansion phase (2006-2010):** With the reconstruction and rehabilitation of critical physical infrastructure over 2001-2005, the next four years (2006-2010) called for an *expansion in basic services (including geographic expansion into rural areas), development of new infrastructure, and governance reforms, institutional building and capacity building*.
3) **Transition phase (2011-2014):** After a decade of donor-funded reconstruction and record levels of foreign aid disbursement that were unmatched both historically and at the global level, there were growing anecdotal reports of corruption, expropriation of resources, and rent-seeking. There was thus an urgent need to *develop and strengthen institutions of anti-corruption* in the country. Further, as the security transition (i.e., withdrawal of more than 100,000 US & NATO troops, and transfer of security responsibilities to the Afghan National Security Forces) was being rolled out between 2011 and 2014, there was a need to strengthen military institutions to assume full responsibility of the security in the country and advocate the *self-reliance agenda/narrative in both fiscal/economic and security sectors*.
4) **Consolidation or Post-Transition phase (2015-2020):** With the security transition unfolding, economic growth fell from an average 9.6 percent (over 2003-2012) to less than 2 percent. From 2014 till now, it has been floating at around 2 percent. As a result of the economic slowdown, poverty increased from around 38 percent in 2011-12 to around 55 percent by 2016-17. Therefore, the development priority in this phase shifted to *programming for poverty reduction and also developing institutions for conflict management* to reduce uncertainty in the economy.

Since its reengagement in Afghanistan in late 2001, the World Bank has been one of the largest development partners of the country. World Bank's engagement has come not only with its own financial support and technical know-how, but has also helped crowd-in bilateral donors' assistance under a unified platform to support the shared vision of building an effective state in Afghanistan. ARTF was established under the stewardship of World Bank and turned into the biggest trust fund of its kind with a cumulative disbursement of nearly US$ 11 billion to date (ARTF, 2020). While the broader sectors in which the World Bank has operated have hardly changed (i.e., governance and service delivery; rural and community development, and growth and private sector development), nature and composition of its interventions have evolved to respond to the changing development priorities in the country.

In the following, we review the World Bank and ARTF's strategy documents to broadly discuss the Bank–ARTF portfolio's alignment, relevance, and responsiveness to the country's evolving development priorities/needs over time.

## 2.1. Reconstruction period (2001-2005)

World Bank re-engagement in Afghanistan, after a gap of more than two decades, began with the Preliminary Needs Assessment prepared jointly with the UNDP and the ADB, and the preparation of the first Transitional Support Strategy (TSS) in March 2002 (World Bank, 2002). The purpose of this assessment was to help determine the external assistance required in the short to medium-term. The overarching principles of the development framework in the assessment were: (i) involvement of Afghans at all levels; (ii) having appropriate policy and institutional frameworks in place; (iii) institutional support to local communities and emerging government institutions; and (iv) promoting human rights, protection of vulnerable groups and social inclusion.

The TSS focused on immediate recovery and reconstruction and mitigating impacts of a 3-year drought that preceded the Afghan Interim Administration in 2001. Strategic priorities were "essential governance institutions and capacity, high-priority, high-impact reconstruction programs to restart the economy and social services; coordinated donor assistance under government leadership; and a better knowledge base and analytical underpinning for the work of the international community and for future Bank assistance" (IEG, 2013).

A second Transitional Support Strategy (TSS-II) was approved in February 2003 in-line with the government's National Development Framework comprising of twelve national programs (World Bank, 2003). A government-led consultative group engaged with international assistance partners to align reconstruction program with the country's development priorities and develop new programs on that basis. The World Bank's TSS-II focused on four strategic areas: (a) improving livelihoods; (b) fiscal strategy, institutions and management; (c) governance and public administration reform; and (d) enabling private sector development.

The ARTF was also established in April 2002, based on a proposal by the Afghanistan Reconstruction Steering Group in Brussels in December 2001 (World Bank et al., 2002). The World Bank was requested to be the Administrator of the ARTF. The ARTF's main role was defined as "to provide a coordinated financing mechanism for the Government's budget and priority sector and investment projects and programs". Initially, the ARTF had three windows, namely (1) recurrent cost window, (2) investment window, and (3) Afghan expatriates and training component. The latter however was later on dissolved. At the time of ARTF's conception, it was expected that the ARTF would "cease operating around mid-2006, when domestic revenues should have recovered sufficiently for the GoA to finance most or all of its recurrent costs from such revenues" (World Bank et al., 2002). As it turned out, revenue mobilization was far more challenging than initially thought, and the Government of Afghanistan has since remained heavily reliant on donor aid.

During this period, the World Bank and the ARTF initiated emergency projects not only in infrastructure (such as rehabilitation of Naghlu hydropower plant, urban water and sanitation, Kabul roads reconstruction, and telecommunications), but also in rural development (first National Solidarity Program was launched in 2003), education (EQUIP in 2004), health, employment and capacity building (e.g., National Emergency Employment Program, and Afghan Expatriate Program, and Latent Entry Program), and public administration (two emergency public administration projects of EPAP I and EPAP II). The Technical Assistance & Feasibility Studies Unit (TAFSU) was also launched under the ARTF's investment window to provide technical assistance support to line ministries in designing programs and projects suitable for funding by key development partners (Scanteam, 2005).

## 2.2. Expansion period (2006-2010)

An Interim Strategy Note (ISN) was prepared for the period of 2007-08 with the main objectives of (i) developing capacity of the state, and (ii) providing tangible benefits to the population. The ISN shifted focus slightly to be fully aligned with the government's development strategy set out in the Interim Afghanistan National Development Strategy (I-ANDS) and greater role in rural development and broader approach to anti-corruption measures. The ISN laid out its criteria for engagement and further support for government ownership and defined priorities; credible performance and institutional arrangements; donor alignment to support a programmatic approach and with consideration to fiduciary risk, operational sustainability and national impact. As the government was in the process of preparing the Afghanistan National Development Strategy (ANDS), the ISN anticipated future activities added to the ISN to respond to the government's emerging priorities. The ISN focused on three strategic pillars:[1] (i) building the capacity of the state and its accountability to citizens to ensure that public services are affordable, accessible and of adequate quality; (ii) promoting growth of the rural economy and improving rural livelihoods, and (iii) supporting growth of a formal, modern and competitive private sector.

The results of the benchmarks defined in ISN 2006-07 were mixed. Rural and community development presented in the National Solidarity Program (NSP) and National Rural Access Program (NRAP) had made impressive gains in this period, with the NSP reaching almost 70 percent of people living in the rural Afghanistan, while NRAP had rehabilitated 10 thousand kilometers of rural road and created 13 million labor days of work. Health and education had made important strides forward with Basic Package of Health Services (BPHS), while primary school enrollment increased to over 6 million students – the highest in the country's history

[1] Detailed benchmarks and targets of the three pillars are summarized in Annex 1 on ISNs.

although quality of education remained a challenge. However, there was limited progress in the implementation of civil service reforms, because of weak government leadership, and political economy challenges (Byrd, 2017; Blum et al., 2019). While revenue collection had improved during the period, customs modernization and trade facilitation lagged behind with perceptions of widespread corruption and leakage of revenues (Delesgues, 2007; Savage et al., 2007; Gardizi et al., 2010).

The ARTF was originally planned to close in 2006, and was subsequently extended by the donors and the Government till 2020 (Scanteam, 2008). An external evaluation of the ARTF commended the ARTF for offering a collective platform for donor co-financing of successful national programs and for donor/government dialogue, thereby reducing transaction costs and improving coordination and harmonization efforts (Scanteam, 2008). The evaluation found the recurrent cost window to be effective and efficient with spillover quality improvements in PFM. The evaluation recommended investing in monitoring & evaluation of the projects and a three-year transition towards an Afghanistan Development Trust Fund. More specifically, the evaluation recommended a gradual transition towards an integrated, program-based ARTF; the development of an ARTF financing strategy based on clear criteria; focusing ARTF resources on thematic program areas and an increased focus on M&E and donor engagement.

Another ISN followed in 2009–11 with the objective of sustaining and accelerating the progress made by then in many areas of state building and service delivery, while strengthening the efforts to build mutual accountability between communities, government and donors. The ISN continued with the same pillars of the previous ISN (2006-07) i.e., (i) building the capacity of the state and its accountability to citizens; (ii) promoting growth of the rural economy and improving rural livelihoods; and (iii) supporting growth of the formal private sector.

During this period, the World Bank and the ARTF launched their first large-scale projects or substantially increased project funding in health (Strengthening Health Activities for the Rural Poor project launched in 2009 with $145-million financing), education (second EQUIP project in 2008 with $422-million financing, compared to only $37.5 million in EQUIP I), and rural development (second National Solidarity Program in 2007 with nearly $750 million financing, compared to $166 million in NSP I). The first (emergency) Horticulture and Livestock Project (HLP) and the National Rural Access Project (NRAP) were also launched in this period, respectively in 2006 and 2007.

In addition to supporting the expansion of service delivery, the World Bank and the ARTF initiated seminal projects in the areas of public administration and financial management (Public Administration Capacity Building in 2005, and Public Financial Management Reform in 2007), civil service administration (Civil Service Capacity Building in 2005, Civil Service Reform project in 2007, and Management Capacity Program in 2007) which have since been followed by successive projects. These projects laid the foundational steps for comprehensive institutional reform interventions which have scaled up over the years.

## 2.3. Transition period (2011-2014)

The Kabul Process, which was articulated in the International Conference on Afghanistan in Kabul in 2010, laid out a phased transition plan towards transferring development and security responsibilities and ownership to the Afghan Government. The government's plans were guided by the Afghanistan National Development Strategy, but since ANDS needed to be prioritized in its scope and ambition, twelve set of National Priority Programs (NPPs) were developed to provide further guidance for alignment.

The World Bank's ISN 2012-14, informed by an in-depth analysis of the economics of transition (Hogg et al., 2013), shifted the Bank's focus to: (i) building the legitimacy and capacity of institutions (strengthening PFM institutions, sustainability and performance of service delivery ministries, and rural development and subnational governance through NSP), (ii) equitable delivery of services across country to mitigate drivers of fragility, and (iii) generate inclusive growth and jobs by directing the World Bank's engagement to the concept of "Resource Corridors" which links up mineral resources, infrastructure, communities and employment-creating sectors (agriculture, construction, enterprise development) in a way that maximizes growth and jobs beyond the areas of mineral deposits.

The ISN 2012-14 coincided with the first three-year ARTF Financing Strategy (FS) that was based on a recommendation from the ARTF external evaluation. The strategy covered both the Recurrent Cost Window and the Investment Window of the ARTF. The Recurrent Cost Window maintained support for recurrent cost financing, as well as an ARTF Incentive Program that supported a series of policy reforms in areas of PFM, civil service reform, anti-money laundering, customs and improvement in ARTF eligibility ratios. The Investment Window set out to support elements of a core set of NPPs that delivered essential public services, strengthening local institutions, agriculture and building infrastructure nationally.

## 2.4. Consolidation/ Post-Transition period (2015-2020)

The ARTF Financing Strategy for 2015-2017 outlined financing of US$2.7 billion. Key objectives of the FS was to align development interventions to emerging government priorities as articulated in the Realizing Self Reliance reform paper presented in London 2014 Conference by the National Unity Government, including a move towards 'programmatic approaches' and strengthening government ownership. The FS proposed an increased recurrent cost financing in the wake of the 2014 fiscal crisis during the election year where the government failed to fulfill some of its financial obligations, and an investment window consisting of projects from the previous financing strategy and a list of potential projects in areas of higher education, on-farm water management and irrigation rehabilitation, and PFM.

The 2015-2017 ARTF Financing Strategy was followed by the 2018-2020 Partnership Framework and Financing Program (PFFP) with the objectives that focused on: (a) reforming and strengthening the public sector; (b) catalyzing private investment and job creation for inclusive growth; (c) supporting citizen engagement and social inclusion; (d) investing in human capital.

The PFFP set out to maximize flexibility and real-time alignment with the government strategy including increased use of incentivized results-based instruments, provision of more hands-on TA and implementation support, ramping up monitoring and evaluation efforts, adopting a government-led approach, and streamlining decision making and communications and reporting.

The World Bank's Country Partnership Framework of 2017-2020 laid out its strategy under three broad pillars of (i) building strong and accountable institutions, (ii) supporting inclusive growth, and (iii) expanding and deepening social inclusion. It built on the lessons learned on what is feasible given the security constraints, trade-offs between long-term and the short-term, key government priorities laid out in its peace and development framework, and what comparative advantages the World Bank could bring. The CPF emphasized on the "greater use of non-discretionary resources, programmatic and results-based approaches, and support to building core government capacity and use of country systems" (World Bank, 2016).

The CPF was informed by the 2016 Systematic Country Diagnostic (SCD), which identified fragility – defined both in terms of weak state institutions and dysfunctional societal relations – as "the first and most important constraint" for reducing poverty in Afghanistan (World Bank, 2016b). The SCD identified three drivers of fragility: (i) weak state and political institutions; (ii) persistent insurgency bolstered both by external forces as well as internally by poor governance; and (iii) ethnic fragmentation that is worsened by conflict and political contestations. It was the first time that a World Bank analysis informing its partnership framework in Afghanistan put 'fragility' upfront and as an anchoring theme in this theoretical framework.

### Summary

Overall, the World Bank–ARTF portfolio has been highly relevant and responsive to Afghanistan's evolving development needs in the past two decades, as also confirmed by the Independent Evaluation Group's assessment of Bank's first decade of engagement in Afghanistan (IEG, 2013, p. 109).

The World Bank re-started its engagement in Afghanistan in 2002 by supporting the establishment of foundational structures and mechanisms in public financial management and civil service administration, ensuring the delivery and expansion of basic health and education services, and supporting rural community development and access. During the Expansion Phase (2006-2010), the focus was on expansion of these services both in infrastructure and human capital sectors, building on previous gains, and on institutional reforms in public administration, financial management, and civil service administration. The gender agenda also became a more visible dimension in Bank projects. Most projects designed and implemented in these two periods (i.e. from 2002-2010) were 'emergency' in nature and had short-term focus.

In the Transition Phase (2011-2014), the World Bank correctly put the "inclusive growth" agenda at the core of its operational and development strategy in Afghanistan. Government and community capacities to manage and respond to national disasters, climate change and gender mainstreaming were also integrated in the Bank's development portfolio. In the Post-Transition

Phase (2015-2020), “fragility” became a critical element in the Bank’s development perspective. Furthermore, in sectors such as public financial management, civil service administration, and health, the Bank moved away from ‘projectized’ interventions to ‘sector-wide’ and ‘programmatic’ approaches – although the driving force was also the Government’s own aptitude for these approaches and the growing technical and institutional capacity in these sectors which made ‘sector-wide’ and ‘programmatic’ interventions possible. There was also increasing use of results- and performance-based lending instruments in sectors such as education.

# 3. Adapting to Lessons Learned

## 3.1. Operational Approaches

***Lack of long-term programming has affected the effectiveness of Bank–ARTF programs.***

Since its re-engagement in 2002, the World Bank has developed 2- to 4-year strategy plans (ISNs and CPFs) which guided its portfolio and interventions in Afghanistan. This unwillingly – and naturally – imposed 'short-termism' in the development approach of the World Bank. The Independent Evaluation Group notes that the "Bank Group strategy under the 2006 and 2009 Interim Strategy Notes (ISNs) was slow to evolve beyond the initial foundations for development to a longer-term strategy for sustainable growth" (IEG, 2013, p. xiv). Given that these strategy plans were implicitly evaluated against their short- to medium-term outcomes during the course of their implementation period, Bank experts and management were naturally tempted to select and devise projects that could be successfully evaluated against their results or outcomes in the short- to medium-term.[2] As a result, "activities programmed under the ISNs were insufficient to ensure achievement of the strategic objectives of the ISN pillars, which affected the relevance and efficacy of Bank Group programs" (IEG, 2013).

In 2002, the World Bank and the ARTF donors expected Afghanistan to achieve sufficient level of domestic revenues by 2006 that would reduce its reliance on donor funding, and hence the plan was to terminate the ARTF by then.[3] Reviewing the Bank's interim strategies and the ARTF's financing strategies, particularly in the first decade following 2002, reveal that a long-term vision was always lacking – as also identified by the Independent Evaluation Group's review of the Bank's first decade of operations in Afghanistan (IEG, 2013). Had a long-term vision been there, the Bank could have taken on longer term capacity building and sustainability questions in a more orderly, sequenced, and programmatic manner instead of conceiving them in short-term projects.

The Independent Evaluation Group has also emphasized on the importance of focusing on long-term development challenges, after reviewing World Bank Group's operations in FCV contexts. It notes that while the Bank has addressed most burning issues within its reach in most fragile countries, it has fallen short of dealing with the longer-term problem in a more consistent way (IEG, 2016).

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[2] The Implementation Completion & Results report of the Capacity Building for Results Facility project notes: "[Bank's] projects prioritized support to immediate priorities in the government development agenda critical to short-term security and political transitions, the need for which outweighed longer-term sustainability factors." (WB-ICR, 2019).

[3] At the time of ARTF's conception, it was expected that the ARTF would "cease operating around mid-2006, when domestic revenues should have recovered sufficiently for the GoA to finance most or all of its recurrent costs from such revenues" (World Bank et al., 2002). As it turned out, however, revenue mobilization was far more challenging than initially thought, and it required long-term sequential investments until Afghanistan would achieve fiscal self-sufficiency.

Recently, however, the Bank does seem to have changed its course in Afghanistan. The 2017-2021 Country Partnership Framework reckons that "trade-offs between short-run stability gains and longer-run development opportunities can influence the selection of interventions" (World Bank, 2016, p.21), and the 2018-2020 ARTF Partnership Framework emphasizes that it is important "to move towards more sustainable and programmatic approaches to development and, importantly, to look beyond the end of the current financing strategy to consider long-term issues of fiscal sustainability, including after the expected end date of the ARTF on December 31, 2025" (ARTF, 2018, p. 45). Recent projects in civil service administration (TAGHIR project) and public financial management (Fiscal Performance Improvement Support Project) have adopted a "de-projectized programmatic approach" (WB-PAD, 2017 and 2018c), and in health and PFM there has been substantial steps towards a 'sector-wide approach'. However, more profound and systematic thinking would be further needed to embed a 'long-termist' approach in the World Bank's development interventions in Afghanistan.

One option for the Bank could be to have a long-term strategic framework – for instance, with a timespan of 20 years – that would set long-term questions for Afghanistan as anchors that would guide Bank's every 2- to 4-year strategy plans or partnership frameworks. As such, long-term objectives will not be faded or crowded out by short-term priorities that periodically change due to political and social developments. This will also give a better framework to assess the risks of certain projects over a longer period of time (e.g. 20 years), which would otherwise seem unsustainable or subject to high risks if evaluated within 4-year time horizons.

***Tapping on the operational capacity of NGOs in sectors where government capacity was lacking enhanced service delivery, and – in turn – social contract and resilience.***

By 2001, two decades of conflict in Afghanistan had severely affected the state-society social contract. When the Interim Administration took over in December 2001, state legitimacy was at its weakest and the new government needed to urgently respond to the needs of the people in order to endure the peace and prevent grievances from building up. The government believed that "its legitimacy in the rural areas would in no small measure depend on its ability to deliver long awaited assistance to rural communities across the country" (WB-ICR, 2007). It was therefore necessary for development partners to quickly mobilize and operationalize assistance to rural communities in order to materialize potential 'peace dividend'.

However, the Government faced serious capacity issues. Decades of conflict had resulted into emigration of a large number of qualified civil servants, particularly from Kabul. Although some capacity still existed, but it greatly varied across sectors. An alternative was to tap on the operational capacity of non-governmental organizations (NGOs) in the country, which had been operating in Afghanistan before and during the Taliban regime, and were filling the vacuum of public capacity for delivery of core basic services, i.e. health, education, agriculture extension services, water and sanitary.

The Emergency National Solidarity Program (NSP I), which was designed based on a community-driven development (CDD) model, was launched in 2003 to support local level reconstruction and development in the rural areas. The NSP initially employed 21 "facilitating partners" – that came from the NGO community – to assist with the social mobilization, development of community governance structures, and preparation of local infrastructure projects. Furthermore, the Health Sector Emergency Reconstruction and Development (HSERD) project, launched in 2003 and which was the Bank's first project in the health sector in post-2001, also relied on the NGO-run model for service delivery. At that time, health services were already largely provided by NGOs across the country financed under humanitarian programs. The World Bank took the lead in advocating a strategy whereby the Ministry of Public Health (MoPH) would concentrate on a stewardship role while contracting out service delivery to NGOs (WB-ICR, 2010). The Bank was able to get other important partners, namely the United States Agency for International Development (USAID) and the European Union (EU), on-board and, as a result, such arrangement was reflected in the National Health Policy.

Almost two decades down the road, the World Bank experience shows that contracting out community mobilization and health services to NGOs allowed achieving satisfactory outcomes very rapidly (IEG, 2013). Capitalizing on the field presence of NGOs enabled the World Bank to accelerate support for the government's strategic priorities of strengthening social cohesion, state-society social contract, and state legitimacy.

Cross-country empirical studies show that service delivery in fragile states improves social cohesion and strengthens social contract between the state and its citizens (OECD, 2008), particularly if service delivery is inclusive (Kaplan, 2017, UNDP, 2018). For the case of Afghanistan, studies have found that the National Solidary Program and its successor Citizen's Charter Afghanistan Project (CCAP), which were both facilitated by the NGOs and supported by the World Bank and the ARTF, improved social cohesion by reducing tensions at community level, resolving grievances, and increasing resilience (Coburn et al., 2019), led to improved economic outcomes (Beath et al., 2015, 2017). Another study on the health sector assessed the effectiveness of the contracting-out of service delivery to NGOs, in comparison to the direct provision of services by the Ministry of Public Health which is already taking place in three provinces. The study found that the two models delivered comparable results, but that contracting-out to NGOs had significant benefits in areas of high insecurity (Chopra and Arur, 2018).

However, the relationship between service delivery – when assumed by non-state actors such as NGOs – and *state legitimacy* is unclear (Batley and Mclouglin, 2009; McCandless, 2020). The key determining factor is 'how' service delivery by NGOs is perceived by the citizens (Mallet and Slater, 2017; Whaites, 2018). The issue of whether services delivered by NGOs have had a positive impact on state legitimacy in Afghanistan was raised in the Implementation Completion

& Results (ICR) report of the HSERD project,[4] but was unfortunately never picked up again in the ICRs or Project Appraisal Documents (PADs) of later Bank projects in the health sector such as SHARP (2009-2013), SEHAT (2014-2018), and Sehatmandi (2018-2022).

Impact assessments of the National Solidarity Program (NSP) and its successor project, Citizen's Charter Afghanistan Project (CCAP), have looked into the impact of these projects on state legitimacy. Using a multi-year randomized control trial of the NSP, Beath et al. (2015, 2017) found that the NSP enhanced people's perceptions of central and sub-national government and it was generally perceived as government-owned by the communities. However, the impact of NSP on perceptions of government weakened considerably following the project's completion, which suggests that government legitimacy is dependent on the regular provision of public goods and/or interaction with the NGOs than by improved development outcomes per se. Hence, the impact on state legitimacy was short-lived and limited (Beath et al., 2015, 2017). Similar results were also found by another study on CCAP (Coburn et al., 2019). The study found that communities in Afghanistan tend to attribute service delivery to local elites (including power brokers and prominent elders), and this leads various local political actors (including the Taliban) to compete for legitimacy and claim the ownership of services delivered through CCAP or other programs. Therefore, CCAP – at best – did not improve state legitimacy if not weakened it.

Although there are several reasons to it, but one important factor could be lack of decentralization, because the development impact of CDD programs depends on the link or intermediation between the community and local government institutions (OECD, 2008). In Afghanistan, where administrative functions are highly centralized, sub-national governance structures have remained both technically and institutionally weak. Without decentralization, CDD linkages with local governments are not sustainable (Kuehnast et al., 2006); and it prevents sub-national entities from taking ownership of the CDD programs, and as a result local elites have had the space to claim ownership and undermine state's legitimacy.

Despite the fact that CDCs in Afghanistan were initially expected to gradually transform to Village Councils as required under the Constitution (2004), this process was never materialized. The ICR of the NSP II also emphasized that absence of linkage between CDCs and sub-national governance structures was impeding improvements in community governance (WB-ICR, 2012d). Although several small steps were undertaken under NSP III and recently under CCAP to strengthen the linkage between CDCs and sub-national governance structures, there are still a lot of gaps and weaknesses.

In sum, the empirical evidence shows that, despite relying on the NGOs in sectors such as health, rural development, and microfinance, the World Bank–ARTF operations through their support for service delivery have strengthened social contract between the state and its citizens (Beath et al., 2015; Pain and Jensen, 2015), reduced violence and insurgency (Beath et al., 2017),

[4] "Important will be the extent to which improved basic health services contributes to establishing the legitimacy of the state *in the eyes of the population* – regardless of who provides the services" (WB-ICR, 2010, p. 30, emphasis from the author).

and increased resilience (Coburn et al., 2019). However, the impact on state legitimacy is unclear due to local power dynamics.

***Graduate shift from 'short-term focused' interventions to programmatic, sector-wide, and results-based operations, with better appreciation for 'fragility' factors in the country.***

In the first decade of post-2001 operations, most Bank–ARTF projects were emergency in nature and short-term focused. For instance, some of the early projects (e.g., Afghan Expatriates Project, and Latent Entry Program) focused on addressing the lack of qualified civil servants through short-term inputs (i.e., hiring Afghan expatriates by offering higher salaries) rather than building longer term capacity development (WB-ICR, 2012b); the Financial Management Capacity Project provided international counterpart Chief Financial Officers to address financial management capacity of line ministries instead of improving financial capacity in a more sustainable manner (Scanteam, 2005); or some projects supported short-term job creation activities (for example, National Emergency Employment Program, National Emergency Rural Access Program, etc.) rather than supporting sources of sustainable economic growth (IEG, 2013). Some of these emergency operations were justified in the initial years (i.e. Reconstruction phase: 2001-2005) given the urgency to support short-term interventions. Lack of capacity in the government would have also not allowed the World Bank to devise long-term programs back then that would address structural & capacity constraints in a more sustainable manner. However, such short-term focus did persist in the Bank's approach throughout the Expansion Phase (2006-2010) and even the Transition Phase (2011-2014).

Since 2014, the World Bank has gradually moved away from emergency, short-term focused projects to programmatic, sector-wide operations. In the health sector, the SEHAT project (2014-2018) adopted a sector-wide approach and developed processes to consolidate parallel financing (by the EU and the USAID) under a single financing mechanism. In public financial management, the FSP (2017-2022) was designed under a programmatic approach to support the Government's Fiscal Performance Improvement Plan (FPIP) that is being used as an 'all-of-MoF technical assistance facility' and is replacing parallel TA programs of the donors in PFM. However, in PFM, the demand for using a single vehicle for reforms that would consolidating all existing donor supports was put forward by the Government itself. In civil service administration, attempts were made under the TAGHIR project (2019-2022) to adopt a 'de-projectized approach' to improve capacity for civil service management in a more sustainable manner. Finally, in the education sector, results-based arrangements, such as the use of disbursement-linked indicators (DLIs), are slowly being used. EQRA project (2019-2023), for instance, was designed as a mix of Bank's traditional 'investment project financing' (IPF) and 'results-based financing' (RBF). The latter uses DLIs to link financing to program results and outcomes rather than to actual expenses.

Furthermore, for the first time, World Bank's 2017-2020 Country Partnership Framework (CPF) used "fragility" as one of the selectivity filters for identifying the strategic pillars of its engagement in Afghanistan. The CPF was in fact informed by the 2016 Systematic Country Diagnostic (SCD), which identified fragility – defined both in terms of weak state institutions and dysfunctional societal relations – as "the first and most important constraint" for reducing poverty in Afghanistan (World Bank, 2016b). Prior to this, the Bank did not systematically consider 'drivers of fragility' in its development framework/ approach in Afghanistan. While this shift could be partly due to a better appreciation of the concept of "fragility" locally within the Bank's country team in Afghanistan, it was also due to better appreciation of FCV (fragility, conflict & violence) risks at the corporate level, which started with the publication of the 2011 World Development Report on "Conflict, Security, and Development", establishment of the FCV Global Thematic Group in 2014 (which launched the World Bank Group's 2020 Strategy for Fragility, Conflict, and Violence), and with the roll-out of the Risks & Resilience Assessments (RRAs) in 2019 (as part of the Systematic Country Diagnostic exercises).

Compared to other donors, the Bank has been relatively more open for self-evaluation, learning from previous experiences, and adapting to emerging needs. However, the Bank was somewhat late in recognizing that operating in FCV contexts requires consideration of "fragility" aspects and political economy realities. Until 2016 when the Bank produced the SCD and subsequently the CPF, previous analytical reports and strategy documents never looked at the development challenges and opportunities from a "fragility" lens. Had this approach been adapted earlier in 2002, the development impact of the World Bank–ARTF interventions – particularly with respect to growth "inclusiveness" – might have been more significant.

***Continued long-term investment and consolidation of smaller parallel projects generate better results due to economies of scale, and sequential and incremental investments.***

During the periods of Reconstruction (2001-2005) and Expansion (2006-2010), the World Bank–ARTF portfolio consisted of several small projects running in parallel in the same sector, sometimes with overlapping objectives & activities. For instance, in public administration and PFM, EPAP I (2002-2005) and EPAP II (2003-2008) were running in parallel, and subsequently PACB (2005-2009) and PFMR-I (2007-2011) were rolled out alongside each other. In 2011, the PFMR-II succeeded the previous two projects and offered a consolidated set of activities and a larger budget of $109 million. In civil service administration, AEP (2002-2004) and LEP (2002-2004) were concurrently operational, which were followed by CSCB (2005-2010), CSR (2007-2011) and MCP (2007-2011) projects. The CBR project was launched in 2011 with a larger budget ($72 million)[5] and took over the activities of the previous two.

A review of the ICRs of these projects reveal that larger projects led to better results, compared to smaller 'piecemeal' projects that ran in parallel in the same sector. This might be because larger projects offer 'economies of scale' that helps in leveraging better policy/investment impact. The issue of economies of scale was identified as one of the reasons for limited impact of the Civil Service Reform ($11 million; 2007-2011) project; the ICR reported that "the project itself was too small to make a real dent on the challenges of civil service reform in the country" (WB-ICR, 2012, p. 10). Consolidation of projects in a sector also reduces project management costs,

[5] In comparison, the CSR and MCP had budgets of $11 million each.

improves communication with the client (as the client will interact with a single Bank team instead of multiple teams), creates better leverage for the Bank to influence the policy framework, and offers space for coordination through a sector-wide approach.

However, caution should be made not to generalize this rule for all sectors and for all types of assistance. Large operations could only be justified in sectors where smaller investments might not create enough leverage to change the institutional culture and policy framework (such as in civil service administration, PFM, and core service delivery sectors), or where they require substantial initial investments in order produce the outcomes (such as in infrastructure). This will only be relevant for investment lending or P4R operations. Technical Assistance projects are better left at small scales, and on-demand.

Finally, in fragile states, strengthening institutions require a long-term engagement. A review of Bank–ARTF portfolio indicates that in sectors where the World Bank and the ARTF stayed continuously engaged for an extended period of time by supporting sequential, incremental interventions, in spite of unsatisfactory results of the early operations, their investments finally paid off and better outcomes were later on achieved.

***Sound analytical work and scenario analysis have helped improve development outcomes.***

Bank's in-depth analysis of the economics of transition (Hogg et al., 2013) ahead of the Tokyo Conference in 2012, long-term fiscal sustainability analysis ahead of the Brussels Conference in 2016 (Joya et al., 2016; Claudia et al., 2018), and scenario analysis for the post-Peace settlement (Haque, 2019) helped inform medium-term programming for Bank's engagement in the country at critical times and in periods of heightened uncertainty.

The Independent Evaluation Group believes that the Bank's use of "sound analytical work, in the form of up-front analysis and judicious use of non-lending technical assistance (NLTA), appears to have positively influenced outcomes" of its operations and investment projects in Afghanistan (IEG, 2013). It also notes that advisory and analytical activities (AAA) "can play a critical role in filling knowledge gaps in FCS contexts that often lack a good knowledge base. Preserving institutional knowledge on key sector issues and the underlying drivers of political economy to make them available to future members of the country team is vital. This is particularly important in FCS countries, where staff turnover is higher than in other countries" (IEG, 2013).

***Staff continuity and low staff turnover are important for project success.***

While growing security threats led the Bank management in 2017 to reduce its footprint in Kabul and relocate most of its international staff to Dubai, continuity in task team leadership and lower staff turnover has proven to be important for project success. Projects with high turnover of project TTLs have performed less satisfactory (and have even failed). For instance, in public administration, the Civil Service Reform project (2007-2011) which had as many as four TTLs in the course of four years faced huge implementation challenges (WB-ICR, 2012), while its sister project, Public Financial Management Reform (2007-2011), which had continuity in its TTL-ship from inception through completion had a 'satisfactory' performance (WB-ICR, 2012c).

The Independent Evaluation Group also notes that "continuity, experience, and quality of staff are necessary conditions for program effectiveness" (IEG, 2013). While in-country presence of staff is important during implementation, staff continuity, sector knowledge and in-depth experience has proved to be even more important (IEG, 2013).

Nonetheless, given that Afghanistan is a conflict environment and a non-family posting country for the World Bank, it is naturally difficult for the Bank management to attract qualified staff in all of its thematic sectors/units for the Afghanistan Country Team. It is therefore important that the Bank management improve the incentive mechanisms for staff to better and easily attract qualified experts in various sectors to join its Country Team in Afghanistan.

***Simplicity in project design and customization to local political economy context are associated with program success. However, this lesson has not consistently been taken into account.***

The success of major projects, such as the NSP or SEHAT, was in their simplicity (IEG, 2013; WB-ICR, 2007, 2019b). The SEHAT project, for instance, maintained a clearly prioritized focus on the most important services, and kept the project design simple: the main component for contracting service delivery and M&E; a component of flexible design to enable MOPH to pursue activities to strengthen stewardship functionality and capability, and a small component to support project management. Or, the National Solidarity Program, in the course of its three rounds of project implementation, kept the arrangements simple despite involving 21 facilitating partners (FPs) in the beginning by using simple monitoring contracts for the FPs and using simple processes for the block grants to communities.

However, simplicity in project design has not been a common feature across the Bank–ARTF portfolio. Some projects used complex features that required high technical and implementation capacity from the government counterparts to be successful. For instance, the AFSTAT: Strengthening the National Statistical System (2011-2016), financed under the Statistics for Results Facility global fund, used a Twinning Partnership arrangement – besides the Project Implementation & Coordination Team (PICT) and a Monitoring & Change Management Committee (MCMC) – to implement a large share of project activities, and used an "excessively overloaded and rather rigid project design" (WB-ICR, 2016). The project's performance was eventually not satisfactory.

Recently, too, the Citizen's Charter (CCAP) adopted a more complex design, contrary to the lessons learned from the three rounds of NSP. The CCAP, by expanding its coverage to urban communities, incorporates Gozar Assemblies (GAs) in urban areas; requires a layer of validation by municipalities of urban infrastructure projects proposed by GAs (because they need to be part of the overall municipal development plan); and – by aspiring to streamline service delivery across various line ministry programs[6] – requires enhanced coordination between communities and line ministries (MRRD, IDLG, Municipalities, MoE, MoPH, MAIL, MoUD, and MoF) at various levels.

The Citizen's Charter also ignored a lesson learned from the Capacity Building for Results (CBR) project by using dual implementation arrangement whereas both MRRD and IDLG are the implementing agencies. The CBR also had a dual implementation structure with MoF and IARCSC to cater for mandate overlaps and compensate for relative capacity deficiencies. Such an arrangement "promoted disruptive competition as opposed to complementarity" and led to project underperformance (WB-ICR, 2019).

Simplicity is not only relevant to investment lending projects, but it's also a key factor of success for policy reforms. For instance, 'simplicity' in the tax policy help increase tax compliance, brings cost efficiency in collection, and leads to better revenue performance (OECD, 2014; Aghion et al., 2017; Akitoby, 2018), and this is even more important in fragile countries (IMF, 2019).

However, often the temptation from international experts is to design policy reform packages or investment projects in a way that would take into account the international best practices, and this usually results in adopting a complex project design. Studies have shown that complex projects, in spite of being designed on international best practices, sometimes fail in fragile states because of capacity constraints in the implementing agencies or because of ignoring political economy realities in the ground (ADB, 2012; IEG, 2016; WDR, 2017).

These factors were also identified as lessons learned by the ICRs of both the PFMR-II (2011-2017) and Civil Service Reform (2007-2011) projects. It has been noted that the CSR project, which had an unsatisfactory performance, suffered from "a conspicuous lack of analysis of the political economy issues might have been expected to influence project implementation…. Project documents reveal a highly technocratic perspective poorly adjusted to the Afghan context…. A deeper understanding of the political economy dynamics affecting the project's environment – and capacity constraints – might have translated into a more sober set of initial project development objectives" (WB-ICR, 2012, p. 6).

Therefore, policy reform programs or investment projects, particularly in fragile states, should be sensitive to local political economy realities, and strike a balance between 'aspiration/ desirability' and 'feasibility/ realism'. In other words, both 'political feasibility' and 'administrative feasibility' of the reforms or project activities should be taken into account, besides their technical consistency and coherence. To better capitalize on this, the concept & decision review meetings for Bank operations may consider giving more weight to peer reviewers who are familiar with the country context, e.g. Afghan experts outside the Bank, and Bank staff working in FCV contexts. This may help better contextualize project design to local specificities.

[6] CCAP aims to streamline the various parallel service delivery mechanisms amongst ministries (and focus on key basic services needed by communities) and to strengthen citizen engagement and monitoring in the delivery of services such as education and health (WB-PAD, 2016). In conformity, the Sehatmandi project is designed to work with health *Shuras* and the CCAP to build capacity of CDCs to collect and analyze health performance data as a complement to existing monitoring data sources, particularly in highly conflict-affected areas (WB-PAD, 2018).

## 3.2. Policy Reform Objectives

***Incentivization of structural reforms has been broadly effective.***

The Recurrent Cost Window (RCW) of the ARTF was established at the time of ARTF's inception in 2002 to provide budgetary support to the government. The operation continuously provided discretionary financing for the government's recurrent/operational costs. In 2009, the Incentives Program facility was introduced under the RCW to *incentivize* policy reforms of the government in pursuit of fiscal sustainability goals. The IP consisted of three mechanisms, namely the Structural Reform Scheme, the O&M Facility, and the Revenue Matching Grant.

Over the years, the RCW moved gradually from providing core recurrent cost support (through its Baseline Facility) with minimal conditionalities towards greater incentivization of policy and institutional reforms for fiscal sustainability. For instance, in 2009 there were $181 million disbursement under the Baseline facility and only $40 million under the IP, while these figures were respectively $75 million and $236 million in 2017 (Haque and Nassif, 2020).

In 2018, the World Bank standardized the ARTF RCW by replacing it with its standard Development Policy Grant (DPG) instrument. Since then, the Bank prepares every year standalone DPG operations (called Incentives Program DPG) to make the disbursements after implementation of agreed set of reforms.

An evaluation of the ARFT RCW found that the operation – as a flexible combination of unconditional baseline support and incentivized funding mechanisms – was highly relevant as it allowed a coordinated on-budget financing through a single mechanism with strong fiduciary safeguards and avoided problems of aid coordination and fragmentation observed in other aid-recipient countries. However, while the operation significantly contributed in expansion and improvement of service delivery, its impact on statebuilding is less obvious – at best (Haque and Nassif, 2020). Some reforms – supported under the IP – were also "only tenuously linked to fiscal sustainability objectives." Overall, the operation was broadly successful, with the exception of the O&M facility which failed to incentivize increased or better quality O&M expenditure (Haque and Nassif, 2020).

Although donor aid conditionalities have traditionally been ineffective in some countries, particularly in those with weaker democratic institutions, because reforms were seen as being 'imposed' rather than 'supported' by the donors (Collier et al., 1997; Morrissey, 2004; Montinola, 2010; Temple, 2010), the Incentives Program in Afghanistan was broadly successful because it encouraged government ownership of the reforms by selecting and identifying the reforms for incentivization in close dialogue with the government and within a 'partnership' spirit. Further, it incentivized a combination of upstream policy and legal reforms (framed as policy actions) and concrete implementation measures over a medium-term horizon (Haque and Nassif, 2020). The World Bank also leveraged technical support for the implementation of the reforms through its on-the-ground staff and experts who worked on Bank's relevant investment lending projects in various sectors. Finally, a review of the reforms selected under the Structural Reform Scheme reveals that only those that were politically less contested and had higher political and administrative feasibility were selected for incentivization.

Incentivization of reforms that addressed bottlenecks in the implementation of Bank's sectoral investment lending projects proved also very effective. Many project ICRs, such as in civil service, PFM, public administration, mining, and financial sectors, have reported that the Incentives Programs helped remove regulatory barriers that previously held project implementations behind.

***Bank–ARTF–supported service delivery has had little impact on state effectiveness and legitimacy.***

The World Bank and the ARTF have supported service delivery in many sectors, which has led to tremendous progress in human development and economic well-being and to substantial improvements in development outcomes, particularly in health, education, and rural development where the Bank and the ARTF have been the lead donors (IEG, 2013; Scanteam, 2017). They have also supported capacity building – through projects in civil service administration and PFM – and structural reforms through the ARTF Incentives Program and Bank's development policy operations (DPGs). While operations for policy reforms (i.e. IP & DPG) have been broadly successful in meeting their specific policy objectives,[7] their impact on the overall state effectiveness and legitimacy needs careful evaluation.[8]

Since 2002, the World Bank has continuously adopted "building of strong and accountable institutions" as one of its strategic objectives/ pillars. The 2017-2020 Country Partnership Framework writes that activities proposed under its first Strategic Pillar "focus on improving the effectiveness and responsiveness of government, addressing poor governance and pervasive corruption, and strengthening the institutional framework for service delivery and enhanced private sector performance" (World Bank, 2016).

However, over the past two decades, Afghanistan has hardly made any progress in accountability and transparency indicators (cf. Transparency International's Corruption Perceptions Index) and in broader institutional qualities (cf. World Bank's Country Policy & Institutional Assessment index, and World Governance Indicators). State legitimacy has remained weak, as indicated by growing insurgency and conflict and worsening political instability. There has been some progress in state capacity, demonstrated by an increase in budget expenditures and revenue mobilization; however, the country is far from achieving fiscal self-sufficiency as

[7] Please see preceding finding in this section.

[8] The terms of state effectiveness, state capacity, and state legitimacy are defined in different ways in the state-building literature. In this paper, by "state effectiveness" we mean the quality for a state to ensure the rule of law and to have accountable and transparent institutions that would allow it to undertake resource mobilization and redistribution functions. By "state capacity", we specifically mean the ability of the state to mobilize revenues and allocate resources (i.e., budget spending). In some parts of the literature, however, state capacity is considered part of the broader state effectiveness, or is sometimes used synonymously with that. By "state legitimacy", similar to Mcloughlin (2015), we mean citizen's acceptance of the state's right to rule. Deficiencies in state legitimacy, effectiveness and capacity are seen as key drivers of 'state fragility' (OECD, 2008).

domestic revenues finance only about a third of all public spending in the country (Haque, 2019; Joya, 2020).

The link between service delivery and state legitimacy in fragile or conflict-affected countries is already unclear in the economic and social science literatures. The impact of service delivery on state legitimacy in fragile countries depends on power structures, incentives for elite capture, inclusiveness of services, citizen's expectations of what state should provide, and how services are perceived by the citizens (OECD, 2008; Kaplan, 2017; Mcloughlin, 2015; Mallet and Slater, 2017; Whaites, 2018; Bandiera et al., 2019; McCandless, 2020).

Empirical studies on specific Bank–ARTF projects have similarly found that service delivery through these projects have not strengthened state legitimacy in Afghanistan. Using a multi-year randomized control trial of the NSP, Beath et al. (2015, 2017) found that the NSP enhanced people's perceptions of central and sub-national government and it was generally perceived as government-owned by the communities. However, the impact of NSP on perceptions of government weakened considerably following the project's completion, which suggests that government legitimacy is dependent on the regular provision of public goods and/or interaction with the NGOs than by improved development outcomes per se. Hence, the impact on state legitimacy was short-lived and limited (Beath et al., 2015, 2017).

Similar results were also found by another study on CCAP (Coburn et al., 2019). The study found that communities in Afghanistan tend to attribute service delivery to local elites (including power brokers and prominent elders), and this leads various local political actors (including the Taliban) to compete for legitimacy and claim the ownership of services delivered through CCAP or other programs. Therefore, CCAP – at best – did not improve state legitimacy if not weakened it.

The limited impact of Bank–ARTF's operations on state effectiveness is also reflected by increased accountability concerns in sectors where the Bank and the ARTF have been major donors and where they have designed 'sector-wide' projects to support relevant line ministries in service delivery. The Independent Joint Anti-Corruption Monitoring & Evaluation Committee's (MEC) ministry-wide vulnerability to corruption assessments in education, health, public finance (Afghanistan Customs Department, and Afghanistan Revenue Department), and public procurement report allegations of corruption and misuse, and widespread accountability weaknesses (MEC, 2015, 2016, 2017, 2020a, and 2020b). Hence, despite Bank's and ARTF's two decades of intensive engagement in these sectors, state effectiveness has hardly improved.

The ARTF RCW's evaluation also found that success in supporting the delivery of services and improving social outcomes did not translate into strengthened state legitimacy. It however cautions that "given the importance of broader political, structural, social, and regional drivers of contestation and conflict in Afghanistan, it would not be realistic to expect that the Operation could have significantly impacted overall state legitimacy. In the absence of a counterfactual scenario in which the Operation was not implemented and service delivery expansions did not occur, it is difficult to assess whether the Operation made any positive contribution to state legitimacy" (Haque and Nassif, 2020).

It is therefore important that the World Bank Group be less ambitious and more realistic in terms of what and how much can be achieved in state-building functions, as similarly advised by the 2011 World Development Report (WDR, 2011). Bank's country partnership frameworks should therefore set more achievable strategic objectives for its assistance in state-building functions.

***Notwithstanding some important strides, progress in civil service reforms has overall been slow due to local political economy context and distortion of incentives by massive aid inflows.***

Over the past two decades, on-budget donor-funded projects despite being embedded within the line ministries were primarily run by national and international technical assistants (TAs) due to lack of qualified civil servants. This led to emergence of a 'parallel civil service' in the country, with a huge gap between the salary/pay structures of the two. As of 2018, there were more than 20,000 national technical assistants (NTAs) and advisors hired by the government (Blum et al., 2019). Flagship development projects have continued to rely on Project Implementation Units (PIUs) which were predominantly filled by NTAs. For instance, the NSP III (2011-2015) was managed by a PIU in Kabul, 6 regional offices, and 34 PMUs (Provincial Management Units), together including around 1,000 contracted staff (WB-ICR, 2017).

Important steps in civil service reforms include:

i. Priority Reform & Restructuring (PRR) program launched in 2004 with support from the World Bank's CSCBP (2005-2010) and CSR (2007-2011) projects, under which key departments and in some cases ministries, in return for modest restructuring and merit-based recruitment for designated positions, could pay their staff at much higher salary scales on a temporary basis;
ii. Pay & Grading (P&G) reform rolled out in 2008 under the CBR (2011-2018) project, which produced job descriptions for hundreds of thousands of civil servants and increased their pay, seeking to reorient the public administration from the old career-based rank-in-person system toward a more merit-oriented and position-based system.; and
iii. Harmonization of the pay/salary scale of the NTAs employed in donor-funded projects in 2016 (most donors, including the USAID, have since adopted the NTA Guidelines issued by MoF across most of their portfolio).

Even these reforms faced considerable challenges. The PRR program initially had good results in some ministries and agencies, but significant problems were encountered, for instance "the mandated restructuring in many cases was only pro forma, and merit-based selection for positions frequently was observed in the breach" (Byrd, 2007). The P&G reform, too, "fell far short of its objectives, due to severe design and implementation flaws and a challenging context. It effectively introduced a new pay structure and helped attract some new staff to the public service. However, it led to little substantial structural or staffing renewal in most line-departments" (Blum et al., 2019).

Reasons for slow progress in civil service administration reforms include: ignoring the political economy context;[9] lack of political ownership of reforms by the government; lack of central agency cooperation that impeded government-wide reforms; weak leadership at IARCSC in some periods who failed to attract political support from the President; inconsistent policy changes imposed from the President's Office (for instance, President's decrees for suspending civil servant recruitments in 2014, and moving responsibilities for Grades 1 and 2 recruitments from IARCSC to line ministries in 2015); superficial implementation of reforms (for the sake of 'ticking the box') and ignoring the "quality" of reforms; lack of long-term vision and programming; low technical capacity at IARCSC; cumbersome reform process with insufficient technical support to line ministries in the development of medium-term reform plans; lack of a coherent communication strategy with the public; lack of support from major donors (e.g. USAID and DFID); overall inconsistencies and lack of coordination among the donors (for instance, the Civilian Technical Assistance Program, funded by USAID, offered salaries for TAs that were 2 or 3 times higher than those offered under the World Bank-funded MCP project); mismatch between 'capacity-injection programs' (such as AEP, LEP, CSCBP, and MCP) and the wider reform process; and enduring patronage, corruption and nepotism in government departments (WB-ICR, 2012, 2012b, 2019; Scanteam, 2017; Blum et al., 2019).

TAGHIR project is now undertaking to fill the reform gap by supporting operationalization of the Civil Service Pay Policy. The policy aims to maintain the Pay & Grade structure as the single harmonized salary spine to classify all civil servant positions (including into professional cadres) whilst introducing a variety of competency-based pay increases (including cadre allowances) to supplement base P&G pay. In turn, parallel pay structures such as the Super Skills and NTA Scale (and ad hoc allowances) will be gradually phased out in sequence with the introduction of these competency-based pay increases. TAGHIR is also supporting the development of professional cadres by putting in place a career framework for these groups, outlining mechanisms for on-boarding, training, rotation, and promotion.

While TAGHIR has incorporated some of the lessons learned from the previous civil service reform and capacity building projects, it is crucial that the task team (as well as the Bank management) fully take into account the full spectrum of lessons learned identified by the ICRs of the previous projects and other evaluations, as was reported above, in the course of the project's implementation.

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[9] Civil service reforms involve complex political economy dynamics that need to be understood before initiating a project in such an area. Key questions that such an analysis should address include the sources of support and resistance to reform; strategies for sequencing and implementing reforms through time; the creation of institutional mechanisms to build political ownership for change; and strategies to galvanize potential winners from the reform process (e.g., users of government services) and reassure those opposed to change (e.g., avoiding retrenchment) (WB-ICR, 2012).
For additional details, refer to section 3.1: "Simplicity in project design and customization to local political economy context are associated with program success."

## 3.3. Engagement with Stakeholders

***Government ownership has overall increased, albeit heterogeneously across sectors. To fully transfer project implementation functions from TA-supported PIUs to core civil service, a long-term strategy and progress in civil service reforms are needed.***

Although almost all Bank-funded projects continue to rely on project implementation units supported by national TAs, the degree of reliance has reduced in recent years, thanks to increased technical and operational capacities in government departments. In the education sector, EQRA's implementation & coordination responsibilities rest with the Ministry of Education, with limited and targeted TA support. A focal point from within the MoE manages the day-to-day operations of EQRA, while provincial-level coordination is done by a committee. In the health sector, the Sehatmandi project allows much greater participation of the technical departments of the central MOPH and provincial health offices in the design, recruitment, and oversight of the BPHS and EPHS contracts to NGOs. Most importantly, TAGHIR and FSP projects are being implemented by IARCSC and MoF, respectively, without the use of project implementation units. These projects fully rely on country systems, and have reduced reliance on TA to minimum.

However, dependence on TAs and PIUs is not uniform across all sectors. There is huge variation in this respect, depending on relevant ministries capacities and their eagerness for improved ownership. In this regard, the ARTF External Evaluation (Scanteam, 2017) has suggested that the Bank and the ARTF develop a comprehensive capacity building strategy – which is currently lacking – that would devise a long-term, sustainable and programmatic approach to increasing technical capacity in government institutions for eventual transfer of project implementation functions to core civil service in line ministries. Needless to mention that progress in civil service reforms such as development of professional cadres and a fiscally sustainable competency-based pay scale – as envisaged under the TAGHIR project – are crucial for such capacity transfer to materialize.

Furthermore, while the World Bank and the ARTF have supported the internal audit capacity in the government over the years, the Internal Audit departments still remain inept to perform their duties effectively. The ARTF has therefore relied on its Monitoring Agent and Supervisory Agent to provide the needed immediate fiduciary reporting to the ARTF donors. These alternative arrangements for oversight and audit crowded out the attention and resources to strengthen the capacity of the institutional bodies that are permanently embedded in the government bureaucracy. Going forward, it would be important to start discussions on how an eventual transfer of responsibilities from the ARTF Monitoring Agent to the government should be devised, even if it's a long-term agenda and it may seem years ahead.

***Lack of coordination among donors, especially in the initial years, slowed reform progress in some sectors and may have led to huge efficiency losses overall.***

The ARTF has helped bring complementarity, coordination, and harmonization in donors' support and assistance to Afghanistan. Nevertheless, shortcomings in donor coordination in some policy areas have come at the cost of reform implementations. For instance, in public administration, the Pay & Grading reform launched in 2008 was "seen as a lower-priority technocratic reform, received little or no political/diplomatic support by influential stakeholders, in particular by the United States or the United Kingdom, in the face of growing security concerns" (Blum et al., 2019), and as a result fell short of achieving its objectives. On the other hand, misalignment in donor's salary scales for national TAs undermined government's efforts in civil service reforms. For example, the Civilian Technical Assistance Program (CTAP), funded by the USAID which supported advisory level positions not part of the Government Tashkeel, offered salary scales that were generally two to three times those under the World Bank's Management Capacity Program (WB-ICR, 2012b). Donors did not harmonize their TA pay scales until after 2016.

Conversely, in sectors where major donors coordinated their operations early on and adopted a common approach, such as in health where the World Bank, the USAID and the European reached a resolution on the modality of contracting out health service delivery to NGOs (WB-ICR, 2010), good outcomes were quickly materialized.

***ARTF has remained limited to traditional Western donors.***

Funding for the ARTF has strictly come from traditional Western donors, who initially proposed to establish the ARTF in 2002 and suggested the World Bank, the UNDP, and the Islamic Development Bank to serve in its Management Committee. Over the ARTF's lifetime of 18 years, the World Bank as its Administrator and the Ministry of Finance as a member of its Steering Committee have been unable to attract non-traditional donors to contribute to the ARTF. While expanding the ARTF donors was previously brought up by the ARTF external evaluation in 2008 (Scanteam, 2008), it did not seem a priority back then.

However, given the growing donor fatigue – as reflected in the Geneva Conference in November 2020, shrinking foreign aid in the post-Covid era, and the heightened uncertainty on the post-Peace settlement political structures in the country, it is ever more important to expand the coverage of the ARTF beyond the current donors to include potential regional donors who have already shown commitments for the post-peace development process in Afghanistan. Channeling the assistance of non-traditional donors through the ARTF will not only be critical for ensuring on-budgeting and alignment to national priorities (as the ARTF is currently entirely on-budget and mostly aligned to national priorities), but it will also improve cooperation among a more diverse set of potential donors who may have renewed stake in the post-peace development process in Afghanistan. Furthermore, it will be more efficient for the Government (and the World Bank) to use the ARTF as a 'consensus-building instrument' among the future donors.

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## Annex 1: List of primary references by type/category

1. **World Bank Strategy Documents:**
   i) First Transitional Support Strategy, 2002
   ii) Second Transitional Support Strategy, 2003
   iii) Interim Strategy Note, 2007-2008
   iv) Interim Strategy Note, 2009-2011
   v) Interim Strategy Note, 2012-2014
   vi) Country Partnership Framework, 2017-2020

2. **ARTF Strategy Documents:**
   i) ARTF Proposal Submitted to World Bank Executive Board, 2002
   ii) ARTF Financing Strategy, 2012-2014
   iii) ARTF Financing Strategy, 2015-2017
   iv) ARTF Partnership Framework & Financing Program, 2018-2020

3. **ARTF External Evaluations**
   i) External Evaluation 2005 by Scanteam
   ii) External Evaluation 2008 by Scanteam
   iii) External Evaluation 2012 by Scanteam
   iv) External Evaluation 2017 by Scanteam
   v) Evaluation of ARTF Recurrent Cost Window, 2020 (Tobias & Haque, 2020)

4. **World Bank Assessments & Reports**
   i) Afghanistan Country Program Evaluation 2002-11, by Independent Evaluation Group (IEG, 2013)
   ii) "Afghanistan in Transition: Looking beyond 2014", by Hogg et al. (2013)
   iii) Afghanistan Systematic Country Diagnostic, 2016 (World Bank, 2016b)
   iv) World Development Report 2011: Conflict, Security, and Development.

5. **Implementation & Completion Reports of Bank–ARTF Projects**
   I. **Health**
      i) Health Sector Emergency Reconstruction and Development (HSERD), 2003-2009
      ii) Strengthening Health Activities for the Rural Poor (SHARP), 2009-2013
      iii) System Enhancement for Health Action in Afghanistan (SEHAT), 2014-2018

   II. **Education**
      i) Education Quality Improvement Project (EQUIP I), 2004-2008
      ii) EQUIP II, 2008-2017

   III. **Rural Development**
      i) Emergency National Solidarity Project (NSP I), 2003-2006
      ii) NSP II, 2007-2010

iii) NSP III, 2011-2015

**IV. Civil Service Administration**

i) Civil Service Reform, 2007-2011
ii) Management Capacity Program, 2007-2011
iii) Capacity Building for Results (CBR), 2011-2018

**V. Public Financial Management**

i) Public Administration Capacity Building, 2005-2009
ii) Public Financial Management Reform (PFMR I), 2007-2011
iii) PFMR II, 2011-2017

**6. Project Appraisal Documents of Bank–ARTF Projects**

i) Sehatmandi Project (Health), 2018-2022
ii) Education Quality Reform in Afghanistan (EQRA), 2019-2023
iii) Citizen's Charter Afghanistan Project (CCAP), 2016-2022
iv) Tackling Afghanistan's Government HRM & Institutional Reforms (TAGHIR), 2019-2022
v) Fiscal Performance Improvement Support Project (FSP), 2017-2022

**7. Independent Evaluations & Case Studies on Afghanistan**

i) Impact Evaluations of National Solidarity Program, by Beath et al. (2015, 2017)
ii) "Progress in the Face of Insecurity: Improving Health Outcomes in Afghanistan", by Chopra et al. (2018)
iii) "CCAP: Conflict & Fragility Study", by Coburn et al. (2019)
iv) "Paths between Peace and Public Service: A Comparative Analysis of Public Service Reform Trajectories in Postconflict Countries", by Blum et al. (2019)

## Annex 2: Assessment of key lessons learned in selected sectors

| Project | Year | ICR's Rating of Project Outcomes | Lessons Learned as Identified in Project ICRs | Reflection/ Incorporation of lessons learned in subsequent projects |
|---|---|---|---|---|
| | | *Education Sector* | | |
| **Education Quality Improvement Project (EQUIP I)** | 2004-2008 | Moderately Satisfactory | Systematic sector analysis in fragile and post-country contexts, even with limited data available, contributes to better project design. | PARTIALLY REFLECTED |
| | | | Sector development programs in fragile and post-conflict states require an operational alignment with central reform and reconstruction programs. | REFLECTED: EQRA operationalizes the National Education Strategy Plan. |
| | | | Flexibility and fast response policies and approaches need to be balanced with minimum standards for program planning, decision making and management. | PARTIALLY REFLECTED |
| | | | Targeting and differentiated strategies are needed in highly heterogeneous post-conflict countries, including differentiated interventions for rural and urban communities, secure and unsecure areas, and secular and Islamic messages. | NOT REFLECTED: Differentiated treatment of and approaches to educational policy were never incorporated in subsequent projects. |
| | | | Aid channeled through Government should contribute to identify practical ways to continue to improve public financial management (PFM) execution and solve bottlenecks for social services delivery. | PARTIALLY REFLECTED |

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| | | | Fragile and post-conflict countries are vulnerable to costly and unsustainable technical assistance (TA). | NOT REFLECTED: Proactive planning was not systematically put in place to reduce dependence on TA. |
| Second Education Quality Improvement Project (EQUIP II) | 2008-2012 | Moderately Satisfactory | Heavy reliance on technical assistance with a separate coordination unit does not build institutional capacity. | REFLECTED: EQRA relies on National Education Plan Steering Committee, the Task Force, and Provincial Coordination Committees, instead of a separated PIU. |
| | | | Third party monitoring that uses local organizations and NGOs is particularly useful in conflict areas. | REFLECTED |
| | | | Projects with large construction components need capacity to develop detailed construction and procurement plans as well as strong management and supervision teams to be successful. | REFLECTED: Under EQRA, School construction activities are transferred to MRRD. |
| | | | Increasing girls' enrollment requires a balanced strategy. | PARTIALLY REFLECTED |
| | | | Teacher training that increases the qualifications of teachers is an important component to improving quality of education. | PARTIALLY REFLECTED |
| | | | Education statistics systems require ongoing coordination of data as well as a transparent system for all stakeholders. | PARTIALLY REFLECTED |
| | | | Projects in countries with ongoing conflict and security concerns need flexibility in implementation | PARTIALLY REFLECTED |

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| | | | to adjust to the reality on the ground. | |
| *Health Sector* | | | | |
| **Health Sector Emergency Reconstruction and Development (HSERD)** | 2003-2009 | Satisfactory | Effectiveness of NGO contracting strategy in a difficult context. | REFLECTED |
| | | | Importance of monitoring and evaluation to a results-based implementation strategy. | REFLECTED |
| | | | Ensure predictable financing of basic service delivery, including financing of the recurrent costs of delivering basic health services, notably personnel and drugs. | PARTIALLY REFLECTED |
| **Strengthening Health Activities for the Rural Poor (SHARP)** | 2009-2013 | Satisfactory | Output-based lump-sum contracts, if supported by strong performance management, in general could be an appropriate tool for engaging NGOs in service provision. | REFLECTED |
| | | | Ensure continuity in procurement arrangements for contracting the service provider NGOs during project gaps (transition between projects). | PARTIALLY REFLECTED |
| | | | Performance-based financing is a potentially effective mechanism to incentivize performance, and therefore NGO contracts should take advantage of it to a greater extent. | PARTIALLY REFLECTED |
| | | | Strong monitoring and evaluation is critical for achieving results. | REFLECTED |
| | | | Strong institutional capacity is key for sustainability. | NOT REFLECTED: MoPH & Sehatmandi project continue to rely heavily on TAs. |
| **System Enhancement for Health Action in Afghanistan (SEHAT)** | 2014-2018 | Satisfactory | Capacity building takes time and is difficult. It is better not to attempt too much at once. It is critical to define clearly the purpose of capacity building. | PARTIALLY REFLECTED |

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| | | | Token government contributions to project financing make little sense. | REFLECTED |
| | | | Good quality monitoring and evaluation is worth investing in. | REFLECTED |
| | | | Complaints handling and grievance redress processes are not enough, complaints must be acted upon. | PARTIALLY REFLECTED |
| | | | A very strong team, and adequate resources are needed to manage an operation in an FCV environment. | REFLECTED |
| *Rural Development* | | | | |
| **Emergency National Solidarity Project (NSP I)** | 2003-2006 | Satisfactory | In a post-conflict situation characterized by limited government capacity, the choice of institutional arrangements featuring performance based contracting of service providers for management assistance and field implementation has resulted in a rapid scaling up of project outreach. | REFLECTED |
| | | | The incentive to provide rapid results on the ground should not take precedence over the capacity building, that may be the condition for sustainable and cost-effective delivery of development interventions in the medium and longer term. | PARTIALLY REFLECTED |
| | | | Ensure continuity in financing to avoid shortfalls that may both leave community sub-projects without the resources to complete activities, and field implementation agencies without the funds to cover their operating and staff costs. | PARTIALLY REFLECTED |
| | | | The challenge of maintaining engineering quality of sub-projects, which has been and remains an issue in the project and nationally across other projects and programs as well, needs to be managed. | NOT REFLECTED |

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| | | | Requirement of the recent CDC By-Law of using the CDCs as entry-point for village-level development activities should be operationalized through coordination among different line ministries. | REFLECTED |
| | | | In addition to the inter-ministerial NSP Steering Committee, establish a more operational forum to define and oversee the practical coordination of rural development activities on an ongoing basis. | REFLECTED |
| | | | Monitoring and evaluation needs to be strengthened. | REFLECTED |
| | | | Develop an effective strategy for operations in high-risk conflict areas. | REFLECTED |
| Second Emergency National Solidarity Project (NSP II) | 2007-2010 | Satisfactory | Streamlining and strengthening the program management structure improved project outcomes. | REFLECTED |
| | | | Ensure sustainability of sub-projects by strengthening technical capacity for rural infrastructure technical design and continued operation and maintenance of completed sub-projects by communities. | NOT REFLECTED |
| | | | Ensuring institutional sustainability of the elected CDCs by using CDCs both as an entry-point and vehicle for implementing village level development activities. | REFLECTED |
| | | | Implementing the High-Risk Area Strategy (HRAS) provided more flexibility in project implementation in insecure areas. | REFLECTED |
| | | | Maximize Facilitating Partner's (FP's) value added and strengthen their result focus, through FP input monitoring and contract management. | PARTIALLY REFLECTED |
| | | | Enhancing women's effective involvement in the program by deploying additional measures, | REFLECTED |

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| | | | such as assessing of women participation in CDC's decisions, collecting gender disaggregated data, training in gender awareness, and designating gender focal points at PMO and FP offices. | |
| **National Solidarity Program III (NSP III)** | 2011-2015 | Satisfactory | Not all problems can be solved at the community level, so there is a need for close coordination with line agencies and district and provincial levels of government for effective service delivery. | REFLECTED |
| | | | There are trade-offs involved in implementing via a parallel PIU structure - and any transition into Government systems should be a gradual one. | NOT REFLECTED: CCAP relies on two PIUs; one in IDLG and another in MRRD. |
| | | | There is a need to manage expectations by the Government and donors about the peacebuilding impact that a community-driven development (CDD) project, even a large and successful one, can have in a country in conflict. | NOT REFLECTED: CCAP ambitiously expanded CDD model under the objective of strengthening state legitimacy, and reducing violence. |
| | | | Community ownership and flexibility on requirements and monitoring can allow implementation in insecure areas, but with a cost in terms of participation and social impacts. | REFLECTED |
| | | | NGO participation in CDD programs can be essential but careful training, selection and contract management are needed, to ensure consistent implementation performance. | REFLECTED |
| | | | To avoid excessive take-up and ensure impact, cash-for-work schemes should be underpinned by a clear set of vulnerability criteria and minimum days of work per household. | REFLECTED |

| *Civil Service Administration* | | | | |
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| **Civil Service Reform (CSR)** | 2007-2011 | Moderately Unsatisfactory | Insights from a political economy analysis should be brought to bear in an explicit fashion on the design of projects through the PAD and other similar documents. | NOT REFLECTED |
| | | | Be upfront about the risks of low capacity: It is critical that the design of civil service reform projects be based on a realistic assessment of the capacity of implementing agencies. | PARTIALLY REFLECTED |
| | | | Consult closely with the client when designing a project. | REFLECTED |
| | | | Develop and implement a coherent strategy for communicating the goals of reform to political leaders, line ministries, and other donors. | NOT REFLECTED |
| | | | It is important to focus on a few key indicators of progress that can be reliably tracked over time preferably by an independent means. | REFLECTED |
| | | | Provide for continuity in task team leadership. | REFLECTED |
| | | | In high-conflict countries with rapidly shifting challenges and capacity constraints, intensive implementation support is crucial for the success of any project. | PARTIALLY REFLECTED |
| **Management Capacity Program (MCP)** | 2007-2011 | Moderately Unsatisfactory | Capacity injection schemes like MCP need to be aligned with a wider reform process. | PARTIALLY REFLECTED |
| | | | Capacity injection has to be at scale. Dropping one or two MCPs into a ministry and expecting them to make a difference is fanciful. The real effect and impact will only be achieved by ensuring a cluster approach to MCP placement. The consequence of this is that the approach has to be selective and phased. | REFLECTED |

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| | | | The project development objectives need to be SMART (Specific, Measurable, Achievable, Realistic and Time bound). | REFLECTED |
| | | | Inclusion of Middle-management and Junior Professionals under future capacity building projects: The MCP only catered to the senior grades of the Afghan Civil Service (Grades 1 & 2). | PARTIALLY REFLECTED |
| | | | Develop appropriate measures to increase sub-national recruitments, including tackling the issue of appropriate hardship allowances, to bring about changes in provincial recruitment and service delivery across Afghanistan. | NOT REFLECTED |
| | | | A country-based Task Team Leader should be assigned to ensure continuity and enhanced project management & supervision. | REFLECTED |
| | | | Establish fixed salary scales for the different categories of civil servants it intends to support. | REFLECTED |
| | | | Discontinue/Merge other parallel capacity building initiatives: similar civil service capacity building programs such as Civilian Technical Assistance program (CTAP) are creating negative incentives for the MCP staff. Such proliferation of capacity development programs should be avoided as it undermines the overall reform effort. | REFLECTED |
| **Capacity Building for Results (CBR)** | 2011-2018 | Moderately Unsatisfactory | Projects in fragile states must anticipate a difficult authorizing environment and provide adequate flexibility to maneuver. | PARTIALLY REFLECTED |
| | | | Projects must consider long term (and evolving) nature of this kind of engagement. | PARTIALLY REFLECTED |
| | | | A 'de-projectized' approach is required to strengthen sustainability. | REFLECTED |

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| | | | Projects should factor in demand and realism while designing reforms. | PARTIALLY REFLECTED |
| | | | Reforms in fragile states need to be narrowly targeted, measurable, and minimize risk. | REFLECTED |
| | | | Sequencing matters to implementation trajectory. Reforms should be incrementally focused; helping to gradually build momentum. | REFLECTED |
| | | | Third-party verification is critical in ensuring the transparency and quality of recruitment, especially in fragile settings. | REFLECTED |
| *Public Financial Management* | | | | |
| **Public Administration Capacity Building (PACB)** | 2005-2009 | Satisfactory | In order to sustain the achievement in the internal audit work practices in the long run, some focal points in the various areas of internal auditing have to be developed within period of services of international audit experts. | PARTIALLY REFLECTED |
| | | | Staff retention. Measures should be taken for retaining staff, especially those who have been trained. | NOT REFLECTED |
| | | | Fraud Investigation Unit should be empowered with the responsibilities to draft regulations. | NOT REFLECTED |
| | | | An active Public Accounts Committee is needed and the National Assembly should become more involved in discussing audit issues and making the PAC operational. | PARTIALLY REFLECTED |
| **Public Financial Management Reform (PFMR I)** | 2007-2011 | Satisfactory | Continuity of the team working on the project, especially the TTL, is very important both for the Bank and the Borrower, as it will engender consistency, depth and follow-up in the dialogue with the government. | REFLECTED |

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| | | | Even though the PRR has been an invaluable tool, in order to make it sustainable, it is important to find an alternative incentive mechanism which can be continued indefinitely using national resources. | PARTIALLY REFLECTED |
| | | | Further strengthening of procurement and audit including developing social accountability and support for the activities of the Public Accounts Committee should help address these issues. | REFLECTED |
| | | | Building internal audit capacity in each line ministry cannot be done in the short term, so implementing the approach provided in the PEFM Law which entrusts MOF to establish internal audit throughout the government would be the most effective and expeditious route to establish the function across government, while at the same time supporting the development of internal audit in the line ministries, where feasible. | PARTIALLY REFLECTED |
| | | | The external accountability of the executive must be strengthened if confidence in its performance is to be built. A new legal framework, training for members of a public accounts committee, and training and technical support to the CAO are needed. | REFLECTED |
| | | | The PFMR tended, correctly, to measure results in terms of quantitative achievements (numbers trained, audits received, line ministries adopting rules) but these are more like necessary conditions for progress; the project could have taken additional steps to track changes in the business culture (for example, timeliness and quality of functions; employee morale; turnover and absenteeism, | NOT REFLECTED |

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| | | | among other indicators related to business culture). | |
| **Public Financial Management Reform II (PFMR II)** | 2011-2017 | Moderately Satisfactory | Reducing aid dependency requires a long-term transition plan. PFMR-II would have benefited from a stronger long-term plan with clear principles to guide and accelerate the transition from reliance on external firms to manage procurement, treasury, and audit functions to the use of government systems and personnel for these functions. | REFLECTED |
| | | | The shift from projects to programs should be planned from the outset. Moving from a project-based modality requires the institutionalization of functions performed by consultancies. A longer-term plan for the introduction of professional cadres and outsourcing of some technical functions could be examples of a longer-term plan that could guide a more sustainable transition. | PARTIALLY REFLECTED |
| | | | In a fragile context, activities should be primarily driven by problem solving, rather than international best practices. | PARTIALLY REFLECTED |
| | | | A mix of policy and investment programming can accelerate reforms. For example, the revenue targets included in the ARTF Incentive Program (DPG) generated demand for technical assistance to rapidly implement reforms. | REFLECTED |
| | | | Flexibility is needed in Bank's engagement to respond to emerging priorities: Although high-level ownership ensures continuity of reforms over medium term, some flexibility is required to timely mobilize assistance in areas of emerging priorities. | PARTIALLY REFLECTED |