



1. Operation Information

Operation ID

P174234

Operation Name

Afghanistan COVID-19 Response DPG

Country

Afghanistan

Practice Area (Lead)

Macroeconomics, Trade and Investment

Non-Programmatic DPF
L/C/TF Number(s)

IDA-D6830,TF-B3025

Closing Date (Original)

31-Dec-2020

Total Financing (USD)

201,249,351.72

Bank Approval Date

09-Jul-2020

Closing Date (Actual)

31-Dec-2020

IBRD/IDA (USD)
Co-financing (USD)

Original Commitment

100,000,000.00

100,000,000.00

Revised Commitment

200,000,000.00

100,000,000.00

Actual

201,249,351.72

100,000,000.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The program's objectives, as stated in the Letter of Development Policy (Program Document, p. 45), were identical to its two pillars: to strengthen the policy framework to support relief and recovery for vulnerable people and firms, and to strengthen the policy framework for recovery and resilience in infrastructure provision.



b. Pillars/Policy Areas

The program contained two pillars/policy areas corresponding to its two objectives:

1. Strengthening the policy framework to support relief and recovery for vulnerable people and firms.
2. Strengthening the policy framework for recovery and resilience in infrastructure provision.

The first policy area was addressed through four prior actions (PAs), and the second policy area by two PAs (see Section 3b, Table 1).

c. Comments on Program Cost, Financing and Dates

The Afghanistan COVID-19 Response Development Policy Grant was approved on July 9, 2020 and closed on December 31, 2020. It was supported by an International Development Association (IDA) grant of SDR 72.9 million (US\$100 million equivalent) and a US\$100 million grant from the Afghanistan Reconstruction Trust Fund (ARTF). The IDA grant was fully disbursed on July 14, 2020 in the amount of US\$101.25 million. The ARTF grant was also fully disbursed in the planned amount of US\$100 million.

3. Relevance of Design

a. Relevance of Objectives

Relevance to country context

Afghanistan faced a major public health and economic crisis due to COVID-19. As of mid-May 2020, Afghanistan had recorded 6,635 cases of COVID-19, with 169 confirmed deaths. The number of unrecorded cases was likely much larger, given the country's limited capacity to test. Confirmed cases were increasing rapidly, with the peak of the crisis expected later in 2020. Afghanistan was extremely vulnerable to rapid spread of the virus due to low levels of education, constrained access to water and sanitation, and weaknesses in basic health systems. Containment measures, including border closures and lockdown of major cities, led to massive disruption to productive economic activity and consumption; blockage of imports, including of vital household items, leading to rapid inflation; reduced exports due to border closures; negative impacts on remittances; and increased fiscal pressures, with government revenues expected at the time of the operation's appraisal to decline by at least 30 percent below budgeted levels. GDP was expected to contract by at least 5.5 percent in 2020. The poor were expected to be particularly affected by the pandemic, as poor households and those vulnerable to falling into poverty, especially in urban areas, were highly dependent on income from activities that were being interrupted through lockdowns (shop-keeping and small business, street or market sales, or daily labor in construction or personal services). Simulations showed that the combined impact of reduced incomes and higher food prices for those working in these vulnerable sectors could bring the poverty rate as high as 72 percent in 2020 (for purposes of comparison, the most recent Bank data shows the poverty rate at 54.5 percent in 2016).



Relevance to Country Partnership Framework (CPF) and country development strategy

The operation was fully aligned with the government's strategy for COVID-19 response, as well as the World Bank's broader pandemic response. In the immediate sense, the **government's pandemic response** focused on: (i) instituting a wide range of social distancing measures, including locking down major cities and banning most public gatherings; (ii) closing all educational institutions; (iii) partially closing of government offices; and (iv) rolling out a major health and public education response with the support of development partners. The government's longer-term plan identified a range of policy priorities: strengthened health systems, human security (including expansion of community development mechanisms and reform of humanitarian mechanisms), human capital (including improved use of technology for distance learning), national infrastructure investment (including in electricity and internet), and a diaspora reintegration program to assist returning migrant workers. An inter-ministerial task force was established under the First Vice President to manage overall COVID-19 response efforts, including coordination with development partners.

The government had few options for financing, given the absence of a domestic debt market, debt sustainability constraints to the acquisition of non-concessional external debt, and limited availability of external concessional support, given already-high levels of aid dependence. At the time of appraisal, foreign grants financed more than 75 percent of public spending, 47 percent of the budget, and 90 percent of security spending. Aid flows were equal to around 42 percent of GDP in 2019. With the onset of the pandemic, and with few monetary policy levers available to address the impacts of the pandemic, the government was drawing down treasury cash reserves at an unsustainable rate. Cash reserves were adequate to meet only around one half of fiscal financing needs. The government's request for Bank support to contribute to closing a financing gap estimated at US\$870 million (four percent of GDP) was therefore very timely. The **Bank's comprehensive policy framework to guide COVID-19 response** emphasized strengthening health systems to manage and contain the virus; the need to strengthen access to essential services, especially for the poor and vulnerable; the need to protect firms, including through access to finance (especially for women); and the need to integrate measures to prevent gender-based violence during times when people spend more time at home. The operation's objectives and policy actions supported these priorities.

The **CPF** (FY16-FY20, not updated to FY21 or FY22) could not have anticipated the COVID-19 pandemic. Nevertheless, this operation was strongly relevant to Bank strategy. The CPF was structured around three pillars: building strong and accountable institutions, supporting inclusive growth, and social inclusion. This operation directly supported pillars two and three through its regulatory reforms to provide relief and recovery to the private sector throughout the COVID-19 crisis, and its policy and regulatory measures to protect vulnerable populations against negative health, social, and economic impacts.

b. Relevance of Prior Actions

Rationale

Table 1: Objectives and Prior Actions

Prior Actions
Objective/Pillar 1: Strengthening the policy framework to support relief and recovery for vulnerable people and firms



PA 1: To support sustained access to credit for micro, small, and medium enterprises (MSMEs), Da Afghanistan Bank (DAB) has issued a regulation reducing provisioning requirements for risk guarantees from the Afghan Credit Guarantee Foundation (ACGF).

PA 2: To support increased use of electronic money, DAB has issued a regulation to simplify procedures for opening of mobile wallets and increasing transaction limits.

PA 3: To protect healthcare workers, the Ministry of Public Health has issued guidelines in compliance with World Health Organization (WHO) standards for: (i) safe healthcare work practices and the provision of adequate personal protective equipment (PPE) to frontline medical staff; and (ii) safe and appropriate management of medical waste.

PA 4: To help address gender-based violence (GBV), the Minister of Education has approved a Gender Based Violence Action Plan

Objective/Pillar 2: Strengthening the policy framework for recovery and resilience in infrastructure provision

PA 5: To support the continuation of essential infrastructure services, the National Electricity Utility of Afghanistan (DABS) and the Ministry of Finance have signed a revision to the Partnership Agreement to ensure continued financial sustainability through the COVID-19 crisis.

PA 6: To support recovery and resilience of the water sector, the General Director of the Afghanistan Urban Water Supply and Sewerage Corporation (AUWSSC) has approved Recovery Plans for three major urban water utilities.

Objective/Pillar 1: Strengthening the policy framework to support relief and recovery for vulnerable people and firms

PA1 (reducing provisioning requirements for loans secured by risk guarantees from the ACGF) responded to constraints on MSME access to finance at a time when firms badly needed access to credit. Disruption to employment at small-scale retail businesses was expected to contribute substantially to increases in urban poverty; additionally, closure of MSMEs could have long-term negative impacts for economic recovery, due to economic "scarring" resulting from disrupted supply chains, costs of re-establishing lost labor market linkages between employers and employees, and destruction of economic value arising from firms' forced sale of assets.

Even before the pandemic, bank lending to MSMEs had been limited, reflecting weak intermediation and shallowness of the financial sector. Credit to the private sector in 2019 was equal to just 3.3 percent of GDP, among the lowest in the world. Only five percent of firms had access to a bank loan or line of credit. Prior to the operation, the ACGF played a major role in MSME finance, having provided 5,500 guarantees to support US\$238 million in MSME loans; through its partner banks and microfinance institutions, it supported an estimated fifty percent of MSME financing in the country. Through the relaxation of provisioning requirements for loans that are partly secured by ACGF guarantees, PA1 would produce a situation where banks would be required to apply provisions only for the unsecured portions. As a result, banks would be able to reduce loan loss provisions on covered loans, helping banks to maintain lending levels in a context where provisioning levels would need to be adjusted upwards to reflect difficult economic conditions and higher MSME loan defaults. PA1 would therefore provide immediate relief to financial institutions and support the provision of credit to the MSME sector. In the absence of this policy reform, it was expected that MSME lending would significantly contract. *Rating: Satisfactory.*



PA2 (simplified procedures for the opening of mobile wallets and increased transaction limits) stemmed from the need to increase the use of cashless payments to avoid transmission risks associated with the use of physical cash. Internationally, social safety net programs introduced in response to the COVID-19 crisis were using mobile money instead of cash, enhancing efficiency and reducing corruption and infection risks. Use of digital payments and e-money was limited in Afghanistan; mobile penetration stood at 84.2 percent at the end of 2019 with over 20 million SIM card users (of a total population of just over 38 million), but only 11 percent of Afghans reported having made or received digital payments in the previous year. Regulatory measures requiring in-person verification of identification documents and ceilings on e-transaction numbers and amounts impeded firms' and individuals' ability to use mobile money. These requirements had disproportionate negative impact on women, who face cultural constraints to travel and can be exposed to harassment during in-person verification processes; only four percent of women used digital financial services. PA2 would allow remote opening of mobile wallets for SIM card users, who have already provided identification documents when registering their SIM cards, and increase limits on e-money monthly transactions and volumes. The reform was expected to facilitate increased use of cashless transactions, helping reduce COVID-19 transmission risks; effective and safe implementation of social protection programs using mobile money, and increased financial inclusion for women (though project documents do not specify how many SIM card users were female). *Rating: Satisfactory.*

PA3 (issuing of guidelines for safe healthcare work practices, provision of adequate PPE to frontline medical staff, and management of medical waste) sought to address deficiencies in the protection of Afghan healthcare professionals by clarifying guidelines. At the time of appraisal, 392 healthcare workers had been infected with COVID-19 and almost 30 physicians had died, undermining the country's capacity to respond to the crisis. Inadequate adherence to basic infection control measures, low availability of PPE (gloves, goggles, masks, and boots), and absence of mechanisms to monitor the availability and usage of PPE were contributing to high rates of infection of medical workers. There were additional hazards to health professionals and the public due to major deficiencies in management of medical waste, including lack of training and equipment for safe disposal as well as unclear institutional arrangements or responsibilities for medical waste management in most facilities. PA3 was to institute new guidelines to all healthcare facilities through Occupational Safety and Health Regulations under the Labor Code, and in compliance with updated guidance from WHO. The Ministry of Public Health was to monitor adherence to these new guidelines through its standard oversight and compliance mechanisms, although monitoring and compliance were not addressed by this PA. As it was not clear if the problem was a lack of clarity on proper procedures or compliance with basic health protocols, it was not clear whether this PA would substantively contribute to reduced rates of infection among healthcare workers, thereby supporting a more effective health sector response to the pandemic and mitigating health, social, and economic harms arising from the crisis. *Rating: Moderately Unsatisfactory.*

PA4 (approval of a Gender-Based Violence Action Plan) responded to evidence from Afghanistan and globally that women and children are at heightened risk of GBV and sexual exploitation, abuse, and harassment (SEAH) during times of crisis. Even prior to COVID-19, GBV was widespread in Afghanistan, with a recent Humanitarian Needs Overview (WHO) report having found that 87 percent of Afghan women experience at least one form of physical, sexual, or psychological violence in their lifetimes, and 62 percent experience multiple forms of GBV. Closure of workplaces and schools due to COVID-19 confined women and children to the home, where they could be subject to increased levels of exploitation and violence, while support systems and access to health services for survivors were likely to be weakened. PA4 focused on the risks that exposure to GBV would discourage children from returning to school once educational institutions reopened following COVID-related closures. The Action Plan, developed by the Ministry of Education, was intended to enable policies and frameworks to address SEAH in schools, establish credible and accessible mechanisms for reporting and responding, create medium- and long-term strategies for the prevention and mitigation of SEAH in schools, and



enhance the institutional capacity of the Ministry of Education in this area. In the short term, implementation of the plan was intended to encourage resumption of school attendance following the loosening of pandemic-related restrictions on school opening, an essential element of the country's recovery. However, given the cultural context and history of GBV in the country, lack of information on the contents of the plan, and no details on implementation, enforcement, or monitoring, the feasibility and practicality of the PA are questionable. *Rating: Unsatisfactory.*

Objective/Pillar 2: Strengthening the policy framework for recovery and resilience in infrastructure provision

PA5 (signing a revised partnership agreement between DABS -- the vertically integrated and publicly owned electricity utility -- and the Ministry of Finance) responded to the negative impact of the COVID-19 crisis on DABS' operations, addressing rapidly emerging infrastructure vulnerability that risked magnifying and prolonging the economic and social costs of the pandemic. In March 2020, DABS' cash inflow, heavily dependent on payment of electricity bills by its customers, dropped by about 60 percent compared with March 2019, with households and firms unable to pay bills in the context of lockdowns and major declines in economic activity. It was expected that DABS would exhaust funds available to pay for electricity supplies (80 percent of which was purchased from neighboring countries) by June 2020. This precarious financial position was exacerbated by substantial outstanding arrears owed to DABS by the government, especially the Ministries of Defense and Interior. To avert supply disruptions and prolonged power outages, PA5 supported new amendments to the partnership agreement between DABS and the Ministry of Finance to restore DABS' financial sustainability. These revisions included agreement on a schedule for payment of government arrears to DABS, as well as provisions under which the government would be required to pay its electricity bills in accordance with DABS billing cycles rather than the existing arrangement in which outstanding payments were settled only at the end of the year. This PA would be reasonably expected to contribute to the continued sustainable financial operations of DABS through the COVID-19 crisis. *Rating: Satisfactory.*

PA6 (fully funded Recovery Plans for AUWSSC's three strategic Business Units in major cities) responded to the negative impact of the COVID-19 crisis on the provision of water and sanitation services. Safely managed water, sanitation, and hygiene services -- especially in dense urban areas -- provide important barriers to the transmission of COVID-19 in homes, healthcare facilities, schools, and other public spaces, but access to such services was limited even before the pandemic. Only 38 percent of the population and 28 percent of healthcare facilities had access to hand washing with water and soap. The official provider of water and sanitation services in urban areas, AUWSS, was experiencing a collapse in revenues and challenges with field operations and maintenance due to pandemic-related lockdowns. Staff salaries and payments for critical supplies (spare parts, fuel, treatment chemicals) were not fully funded, risking proliferation of service disruptions. PA6 supported Recovery Plans in Kabul, Herat, and Kandahar to protect staff, safely organize service delivery during the pandemic, and strengthen recovery and resilience in the event of future emergencies. The Plans included key measures such as procedures for the supply of PPE to utility staff, on-site hygiene measures at utility offices and plants, human resource planning to maintain a healthy and functional workforce, information technology investments to enable work-from-home arrangements, supply chain monitoring to identify and prevent critical shortages, review of policy on bill collections, a communications strategy, and a process for prioritizing emergency water and sanitation supply for highly sensitive areas or facilities (especially hospitals). The funding and implementation of these plans was reasonably expected to support the continued, financially sustainable provision of water and sanitation services in Afghanistan's three major cities. *Rating: Satisfactory.*



Rating

Moderately Satisfactory

4. Relevance of Results Indicators

Rationale

Table 2: Results indicators by objective and PAs; baseline and target values; status and achievement

Results Indicator (RI)	Associated PA	RI Relevance	Baseline (year)	Target (year)	Actual at target date	Actual as % of targeted change	RI Achievement Rating
Objective/Pillar 1: Strengthening the policy framework to support relief and recovery for vulnerable people and firms							
RI 1: Bank credit to MSMEs as a share of total bank lending	PA 1	MU	17% (end 2019)	≥17% (end 2021)	15% (latest available data end 2020)	0%	Negligible
RI 2: Number of registered mobile wallets	PA 2	S	M: 1,147,480 F: 128,360 (end 2019)	M: 1,376,976 F: 154,032 (end 2021)	M: 1,383,827 F: 101,430 (April 2021)	M: >100% F: 0%	Modest
RI 3: Proportion of provincial hospitals with adequate PPE to meet monthly needs	PA 3	MS	0% (December 2019)	50% (end 2021)	No data	No data	Negligible
RI 4: Proportion of general education schools that	PA 4	MU	0% (end 2020)	50% (end 2021)	0% (latest available data November 2021)	0%	Negligible



have provided training to school administration staff, teachers, students, and Shura members on the School Code of Conduct for GBV and SEAH							
Objective/Pillar 2: Strengthening the policy framework for recovery and resilience in infrastructure provision							
RI 5: Total public sector arrears to DABS	PA 5	S	US\$92 million (end 2020)	<US\$40 million (end 2021)	US\$266 million (latest available data November 2021)	0%	Negligible
RI 6: Total water supplied by three largest AUWSSC utilities (millions of cubic meters/year)	PA 6	S	Kabul: 12.0 Herat: 12.5 Kandahar: 1.9 (end 2020)	Kabul: 12.0 Herat: 12.5 Kandahar: 1.9 (end 2021)	Kabul: 9.99 Herat: 10.85 Kandahar: 1.85 (Jan-Sept 2021)	>100% if nine-month Jan-Sept trend continued to Dec 2021, but no data available for Oct-Dec 2021	Modest

RI1 (bank credit to MSMEs as a share of total bank lending) was intended to measure the impact of PA1 on lending to MSMEs. The RI included MSME lending as its numerator, but it was formulated also with a denominator of total bank lending. While the Program Document (p. 22) noted that ACGF supported about half of MSME financing in Afghanistan, no information was provided on ACGF support for total bank lending. Without data on the extent to which the PA was likely to affect the RI's denominator, it is not possible to understand how the RI measured the specific impact of the PA. The RI did not provide a straightforward measure of the impact of the PA on access to credit for MSMEs. *Rating: Moderately Unsatisfactory.*

RI2 (number of registered mobile wallets) was a straightforward measure of the impact of PA2, with data readily available and baseline/target specified. *Rating: Satisfactory.*



RI3 (provision of provincial hospitals with adequate PPE to meet monthly needs) did not fully capture the impact of PA3. It contained no measure of enforcement of the new guidelines or their effect on medical waste management. A stronger RI would have captured enforcement of the guidelines, for example, by measuring the number of hospitals inspected and percentage of hospitals found in compliance (with a targeted increase). However, in a fragility, conflict & violence situation, coupled with the pandemic emergency, such data were not being recorded or published, and the project team was forced to make use of available data as proxy. In addition, the RI measured impact only on provincial hospitals, while the PA applied to all publicly and privately operated primary healthcare facilities and hospitals in the country, not just provincial hospitals. *Rating: Moderately Satisfactory.*

RI4 (training on GBV and SEAH to general education schools) was a straightforward measure of implementation of PA4. Following the approval of the Action Plan, as specified in the PA, an important initial step would be awareness-raising and training on its code of conduct for students, teachers, administrative staff, parents, Shura members, and broader communities. However, the content of the Action Plan and associated training was not specified, and it is not clear that training could be done effectively in the midst of COVID, with restrictions on mobility and poor connectivity. *Rating: Moderately Unsatisfactory.*

RI5 (public sector arrears to DABS) was a straightforward measure of implementation of PA5, with data readily available and baseline/target clearly specified. *Rating: Satisfactory.*

RI6 (volume of water supplied through the three largest water utilities) was a straightforward measure of implementation of PA6, with data readily available and baseline/target clearly specified. *Rating: Satisfactory.*

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Strengthen the policy framework to support relief and recovery for vulnerable people and firms

Rationale

The operation's implementation was severely impacted by the spring-summer 2021 political crisis in Afghanistan and the events leading up to the forced Taliban takeover, which produced reversals of some PAs and sharp downturns in progress toward most RIs. The ICR (p. 5) notes that at the time of ICR preparation, the Bank did not have the authorizing environment to engage with the interim administration, highly constraining access to data. The ICR (p. 12) also notes that the Program Document specified end-2021 as the target date for all RIs, even though project timelines required the ICR to have been prepared before this



date. Noting this weakness in design, both the ICR and this ICRR therefore assess progress made through August 2021.

PA1/RI1, on relaxing provisioning requirements for loans that were partially secured by AGCF, likely initially mitigated the impact of the COVID-19 crisis on MSMEs. Not only were AGCF partner banks able to reduce their provisions, freeing up resources to support lending to other firms at a time when they were facing financial constraints, AGCF also introduced an incentive package, including adjusted guarantee fees, increased guarantee coverage, and a lower capital leverage for partner institutions, making its guarantees more attractive. These developments encouraged Azizi Bank (Afghanistan's largest commercial bank) to make use of AGCF's facility for the first time. By July 2020, all financial institutions had resumed some MSME lending following an initial sharp downturn as COVID-19 emerged. Between the second and third quarter of 2020, bank lending to the MSME sector increased by 0.5 percent, and AGCF's portfolio continued to increase. However, by the second quarter of 2021, in response to increased political and economic instability, demand for AGCF guarantees began falling again. Private sector credit is expected to have further declined since, and new bank lending was suspended in August 2021. The RI was not achieved, and in any event, it was not a clear measure of the PA's contribution to achievement of the objective. *Rating: Negligible.*

PA2/RI2, on simplifying procedures for opening mobile wallets and increasing transaction limits, was to be accompanied by the use of mobile money wallets to distribute cash transfers under two Bank-financed COVID-19 relief investment projects, supporting broad uptake. However, before these projects could be rolled out, activities were halted as a result of the political crisis, limiting outreach and promotion of e-money in its nascent stage. Nevertheless, the PA contributed to a 21 percent increase in the number of mobile wallets owned by men by April 2021 (the most recent available data). There was a decline in the number of women relative to baseline, likely because the PA did not contain adequate provisions to facilitate women's registration of SIM cards. As the ICR states (p. 14), in the context of the ongoing crisis, it is unlikely that there has been any further progress since April 2021 in the number of mobile wallets being issued or used. *Rating: Modest.*

PA3/RI3 on protection of healthcare workers was impacted by the deteriorating political and security situation. The Ministry of Health, with assistance from the Bank, developed detailed protocols and waste management plans based on the approved guidelines, and these were distributed to all healthcare facilities. Plans were developed for provision of training on implementation of the new protocols and plans. However, delays arose due to coordination and communication problems between the Ministry of Health and health facilities, as well as a general lack of capacity. According to the ICR (p. 15), over 2020 and the first half of 2021, the approved guidelines were likely to have led to modest improvement in practices in infection prevention and waste management, although no data are provided to support this assertion. From mid-2021, as the Taliban gained increasing control over territory, the Ministry of Health was able to devote less management time and attention to effective implementation of the new guidelines. Funding for required equipment, including PPE, also became increasingly scarce as the fiscal situation deteriorated. There has likely been deterioration in the provision and use of PPE as well as appropriate medical waste management, given current funding constraints to the health sector (loss of donor funds and challenging economic conditions), exodus of many skilled healthcare workers, and loss of access to imported medical products. Although recent data are unavailable, it is highly unlikely that the guidelines supported by the PA have contributed to achievement of the objective. *Rating: Negligible.*



PA4/RI4 on a GBV Action Plan had high-level support from policy makers, and the President stressed its importance in Cabinet meetings (ICR, p. 16). An Inter-Agency Technical Working Group met regularly to monitor implementation progress, and the Ministry of Education established a dedicated implementation unit. However, review by a Bank technical team early in the implementation process revealed important shortcomings in the Plan, including inadequate detail and a lack of clear child protection strategies and implementation mechanisms. To resolve these issues, the Bank team worked with the Ministry of Education to mobilize expert support. This process encountered substantial delays as different options were considered. The code of conduct was not completed by the spring of 2021, and its further development and implementation are highly unlikely under the Taliban government. The Inter-Agency Technical Working Group is no longer functioning. *Rating: Negligible.*

In the absence of the 2021 political and economic crisis and change of government, it is likely that some of the PAs under this objective would have contributed to relief and recovery for vulnerable people and firms. However, the combination of inadequate RIs, policy reversals, and lack of access to data imply the absence of evidence of achievement of this objective, which is therefore rated Unsatisfactory.

Rating

Unsatisfactory

OBJECTIVE 2

Objective

Strengthen the policy framework for recovery and resilience in infrastructure provision

Rationale

PA5/RI5 on a revised Partnership Agreement between the Ministry of Finance and DABS was adversely affected by rapid deterioration in DABS' financial sustainability in the lead-up to and following the Taliban takeover. Importantly, initial progress was made with the clearance of DABS arrears, and as a result of the PA, the full US\$69 million of historical arrears was promptly paid off. From mid-2020 onward, however, repayment issues persisted, and the Ministry of Finance accumulated substantial new arrears. At the time the ICR was written, DABS owed more than US\$70 million in overdue payments to international electricity suppliers. The RI was not achieved, with no impact of the PA on recovery and resilience in infrastructure provision. *Rating: Negligible.*

PA/RI6 on Recovery Plans saw substantial initial impact. The approval of the emergency response plans helped establish an operational and policy framework to inform the sectoral response to the COVID-19 crisis, including required investment to ensure continuity of water supply; provided a shared strategic framework to inform donor investments and programming in the water sector; informed the rollout of infection protection procedures; and helped to identify priorities to be addressed through a planned new US\$200 Bank/ARTF water sector project approved by the Board in December 2020. Until mid-2021, water utility performance remained robust, despite difficult economic conditions and pandemic-related disruptions, with continued supply to main urban areas. Largely due to the effective implementation of measures included in the Recovery Plans, the volume of water supplied by AUWSSC over 2020 and most of 2021 through the three largest utilities (Kabul, Herat, Kandahar) remained at least equal to 2019 levels. Although data are not



available beyond end-September 2021, if trends from January through September 2021 are extrapolated to the end of the calendar year, the end-2021 targets for water supply would have been achieved. However, it is unclear whether the Taliban administration prioritized the implementation of the Recovery Plans, and AUWSSC's financial and operational sustainability were heavily threatened by deterioration in revenue and loss of critical capacities through the outflow of skilled technical staff. *Rating: Modest.*

Rating

Moderately Unsatisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

While there was initial progress in some areas, other areas were problematic even before the political and economic situation deteriorated in the spring and summer of 2021. After the change of government in mid-2021, it became impossible to discern progress toward achievement of the objectives. There was not sustained strengthening of the policy frameworks to support relief and recovery for vulnerable people and firms or for recovery and resilience in infrastructure provision.

Overall Efficacy Rating

Unsatisfactory

6. Outcome

Rationale

The objectives were relevant, reflecting strong alignment with country conditions, Bank strategy, and government strategy. The relevance of the PAs was mixed, however, and they had, at best, limited and short-term impact on achieving the objectives. Access to results data was severely constrained following the change of government in mid-2021, but it is highly unlikely, given ongoing crisis conditions, that any results achieved as of mid-2021 were sustained to the end of the year.

a. Rating

Unsatisfactory

7. Risk to Development Outcome



Risks to sustainability are high across all policy areas covered by the operation, and backsliding was substantial in the spring and summer of 2021 as the Taliban assumed control of the entire country. These contextual factors were and remain beyond the control of the previous government or the Bank. World Bank technical assistance and financing were suspended on August 15, 2021, when the Taliban seized control of Kabul and established an interim administration. Critical capacity has been lost as many skilled personnel have left the country. Electricity and water utility finances are in a perilous state, with bills remaining unpaid and large arrears accumulating to international and local suppliers. The impact of these reversals on vulnerable people, vulnerable firms, and infrastructure provision has been enormous, with highly negative implications for poverty, food security, the rights and situation of women and girls, trade, utilities, and development of the private sector.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The operation was informed by recent World Bank country-specific and global analytic work regarding priorities for both COVID-19 response and longer-term inclusive growth and development (see Program Document, Table 5, pp. 29-30, for a detailed list of analytical underpinnings and parallel support programs). Lessons learned from previous Development Policy Operations in Afghanistan included the need for strong government ownership (reflected in the Bank's close cooperation with the Ministry of Finance and other government agencies responsible for implementation of policy actions), and the importance of close alignment with World Bank and ARTF Investment Project Financing projects (technical assistance provided under Bank/ARTF investment projects was to be used to support the implementation of this operation's policy actions in accordance with international good practices).

The operation was also supported by other World Bank interventions, including the US\$100.4 million COVID-19 Emergency Response and Health Systems Preparedness project (health sector support) and the US\$155 million COVID-19 Relief Effort for Afghan Communities and Households project (broader social protection measures). It was coordinated closely with the IMF, which had approved a US\$220 million disbursement under the Rapid Credit Facility to meet urgent fiscal and balance of payments needs stemming from the COVID-19 crisis, and with other development partners through the ARTF donor group. The Program Document (p. 31) noted that consultation on reforms was impeded by the compressed time frames for mobilizing a COVID-19 response and the imposition of social distancing measures.

Risks were identified to the extent possible (i.e., the operation's risk analysis was conducted with prevailing analysis at the time of preparation), and mitigation measures were taken. The overall risk rating for the operation was high. At the time of appraisal, the global and country-specific risks associated with the evolving COVID-19 crisis were not yet fully known. High political and governance risks arose from overall weak governance and uncertainties associated with implementation of a political power-sharing agreement between the two factions that had contested the outcome of the 2019 Presidential election. High macroeconomic risks stemmed from the ongoing impact of COVID-19 on the local, regional, and global economies, heavy aid dependence, and uncertainties around future international grant support; these risks were partly mitigated by the government's previously demonstrated capacity to maintain overall



macroeconomic stability in the context of revenue declines, through effective expenditure control and maintenance of the monetary policy framework. High risks related to overall institutional capacity for implementation and sustainability stemmed from uneven and thinly spread technical capacity and frequent turnover in senior staff, subject to further deterioration in the context of government measures to contain the pandemic and election-related personnel changes at senior levels of government; these risks were partly mitigated by technical assistance from the Bank and other partners. Security risks were also high, given the active conflict environment; the Program Document (p. 38) stated that these risks were somewhat mitigated through the operation's focus on policy actions that could show positive impact even in the context of ongoing conflict.

The scope and ambition of the reform program were consistent with the objectives. It was feasible that the reforms supported by the PAs would have made a meaningful contribution to achievement of the objectives, though some of the PAs were insufficient or impractical given the country context. The number of PAs was in line with the size of the operation, short preparation time, implementation constraints due to COVID-19 restrictions, and capacity constraints typical for fragility, conflict and violence (FCV) settings. The PAs targeted pressing priority areas in selected policy areas. However, some of the RIs were not adequate measures of the contribution of the associated PAs toward achievement of the objectives. It was also a shortcoming that the target date for the results indicators was set as end-2021, which was inconsistent with the required timeline for ICR preparation, given the operation's scheduled closing date.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

Through implementation, the Bank remained closely engaged with relevant agencies and provided extensive technical assistance to the supported reform areas through parallel investment projects (see ICR, p. 23, for a detailed list of PAs and associated parallel support programs). This allowed Bank teams to provide timely, hands-on support and sustain strong relationships with counterparts, which continued through August 2021. When faced with the emergence of existential threats to the Afghan government, Bank teams began directing their attention to the most pressing policy and operational challenges. Monitoring and evaluation challenges, which were already significant due to Afghanistan's data-scarce and low-capacity environment and the COVID-19 crisis, escalated considerably with the deterioration of security conditions leading up to the Taliban takeover. Production and dissemination of critical data, including basic economic and fiscal statistics, stopped in August 2021. The lack of recent data to assess achievement of RIs was therefore beyond the control of the Bank team.

Rating

Satisfactory



c. Overall Bank Performance

Rationale

Design and preparation of the operation was largely satisfactory, with shortcomings in specification of some of the RIs and their target dates. Implementation in a context of fragility and unprecedented political and security crisis was proactive, adapting priorities as the situation rapidly evolved.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

No evidence is available on social and poverty impacts.

b. Environmental

No evidence is available on environmental impacts.

c. Gender

No evidence is available on gender impacts.

d. Other

10. Quality of ICR

Rationale

The ICR is clear, concise, results-oriented, and internally consistent, with careful adherence to guidelines. It draws analytic conclusions only where there is high-quality evidence, and it is candid about the extent to which a complete assessment of progress and results was constrained by the inability to engage with the interim administration and the cessation of reporting against key statistical indicators. Although the operation was expected to have social, gender, and poverty impacts, the ICR is clear about the lack of data on these impacts,



given the circumstances. The ICR applies an FCV lens where appropriate. Its lessons are operationally relevant, drawn directly from the operation's experience, and supported by the ICR's evidence and findings.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Unsatisfactory	Unsatisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The ICR (p. 25) presents several insightful lessons, two of which are summarized here:

Development Policy Operations can help drive important reforms even in critically fragile situations.

Afghanistan faced major political, security, and economic challenges throughout the period of this operation, including those related to the 2019 Presidential election, the COVID-19 crisis, and the advancing insurgency. However, a relatively solid program of policy actions was largely successfully implemented at the outset, and progress was being achieved in several areas until the final months before the government collapse. The operation focused scarce capacity and policy attention despite multiple competing demands on government.

Parallel support can help drive effective program implementation in a context of binding capacity constraints. Parallel World Bank investment projects, including technical assistance and advice, were critical to timely implementation of this operation's policy actions, facilitating progress despite weak capacity and an extremely volatile political environment. In the absence of this parallel support, it is unlikely that the government would have been able to implement supported reforms effectively within established timelines.

13. Project Performance Assessment Report (PPAR) Recommended?

No