Report Number: ICRR0022853

1. Project Data

Project ID	Project Name
P125597	AF:Kabul Municipal Development Program
Country	**Practice Area(Lead)**
Afghanistan	Urban, Resilience and Land

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
TF-17016	31-Dec-2019	92,273,735.10
Bank Approval Date	**Closing Date (Actual)**	
03-Apr-2014	30-Jun-2021	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	110,000,000.00	110,000,000.00
Revised Commitment	110,000,000.00	92,273,735.10
Actual	92,273,735.10	92,273,735.10

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

According to the Grant Agreement (GA, p. 4) and the Project Appraisal Document (PAD, paragraph 11), the Project Development Objectives (PDOs) were "to Increase access to basic municipal services in selected residential areas of Kabul city; redesign Kabul Municipality's financial management system to support better service delivery; and enable early response in the event of an eligible emergency."

This review the performance of the project against the following objectives:

- to Increase access to basic municipal services in selected residential areas of Kabul city
- to redesign Kabul Municipality's financial management system to support better service delivery
- to enable early response in the event of an eligible emergency

**The achievement of the project development objectives in Afghanistan is assessed following the same methodological approach. This applies to all projects closed by June 30, 2021.*

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

1. I**nfrastructure Upgrading Program** (US$85 million at appraisal, increased at restructuring to US$91.5 million, US$ 82.25 million actual). This component would finance the upgrading of basic municipal infrastructure such as roads, drains, culverts, footpaths, street lighting, community parks, community solid waste collection points, and water supply, in underserved settlements on government owned land. In addition, this component would finance equipment to empty septic tanks, for emergency snow clearing, Global Positioning Satellite (GPS) trackers, for control rooms, and for maintenance of secondary and community roads. This component would also finance a technical advisor to assist the Kabul Municipality's Departments of Sanitation and Roads to design and implement actions that would improve the efficiency of services delivered.

Revised Component: The 2017 restructuring: (i) increased the allocation; (ii) expanded the activities to be financed, (iii) increased the target value of the outcome indicator for direct beneficiaries from 775,000 to 1,052,660 people; (iv) set a target value of 500,000 people with access to all-season roads; and (v) increased the original target area to be upgraded from 943 to 3,020 ha because the original target had been met. The Acting Mayor cancelled the procurement of goods (except the GPS trackers and control room equipment) because of plans to privatize municipal services.

2. **Redesign Kabul's Financial Management System** (US$3 million at appraisal, increased at restructuring to US$6 million, US$2.39 million actual). This component would finance a Financial Management Advisor to the Deputy Mayor of Kabul for Finance and Administration to strengthen staff capacity. This component would also finance a consultancy firm to develop an action plan for institutional reforms that integrate IT solutions for revenue management, accounting, and management. The report recommendations may either be implemented under this project or be a standalone project (PAD, paragraph 65).

Revised Component: The 2017 restructuring (i) increased the allocation, (ii) financed two additional activities - a Financial Management Framework and implement an Afghanistan Financial Management Information System (AFMIS) in Kabul Municipality; and (iii) revised the PDO outcome indicator from "a report" to "public access to key financial information." The indicator had been met when the final report was submitted in December 2016. The additional funds would finance training, software license fees, and the purchase and installation of equipment, The revised outcome indicator was defined to mean that Kabul would make available on its website annual financial statements that meet international standards.

3. **Studies to Support to Kabul Municipality** (US$5 million at appraisal, US$0 at restructuring, US$0 actual). This component was to finance hardware and software for conduct two geo-referenced paperless household surveys; and a Kabul storm water drainage system master plan with a study of options and detailed engineering designs for the selected option to solve flooding in the Kanal Wazir Abad catchment area.

Revised Component: The 2017 restructuring dropped this component because information to conduct the survey was not made available and the government had contracted the German Corporation for International Cooperation (GIZ) for the storm water drainage master plan.

4. Project Management, **Works Design and Supervision** (US$17 million at appraisal, decreased to US$12.5 million at restructuring, US6.64 million actual). This component would finance implementation, monitoring and reporting obligations under the project; including detailed design for community upgrading plans for future donor support and supervising the carrying out of civil works; design and implement training and knowledge sharing events, including workshops; and construct an office building on government land for its infrastructure improvement program.

Revised Component: The 2017 restructuring reduced the allocation for this component because Kabul decided to renovate existing facilities rather than construct a new building.

4. **Contingency Emergency Response** (US$0 at appraisal, US$0 actual) This component would allow for a rapid response to a previously defined eligible emergency by reallocating unused project funds.

Revised Component: This component was not revised.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The original total cost was US$110.0 million. The grant disbursed US$ 92.4 million. The balance was cancelled (TBC)

Financing: The grant was fully financed by the Afghanistan Reconstruction Trust Fund. The International Development Association acted as Administrator of this Trust Fund.

Recipient Contribution: None

Dates: This project was approved on April 3, 2014 and became effective on April 11, 2014. The Mid Term Review (MTR) was completed on April 27, 2016. The original closing date was December 31, 2019 but extended by18 months to close on June 30, 2021. In addition to this extension, the level 2 restructuring approved on December 5, 2017 expanded the scope, adjusted components, and costs (see components above), introduced changes to the outcome and intermediate outcome level indicators such as increasing the target value of one outcome indicator by almost 75 percent, adding a new outcome indicator to accompany the expanded scope, and redefining another outcome indicator to better represent the impact of the project intervention.

Split Rating: A split rating was not undertaken for the outcome of this project because the text of the PDO was unchanged. Dropping and amending the components did not change the level of ambition. The commitment level was unchanged. Outcome indicators were adjusted to better reflect the expanded scope of the project interventions after restructuring. According to the guidelines, the project's operation was assessed based on the more ambitious revised PDO indicators and targets.

3. Relevance of Objectives

Rationale

The project objectives were relevant to the problems faced by the Kabul Municipality home to over half of Afghan's urban population. The city's infrastructure originally designed to serve less than 1 million people is now supporting about 4.6 million residents, and rapidly increasing as people flee conflict, drought, or return as refugees. Evidence of the infrastructure and services deficit is marked by the presence of an estimated 70 percent of this urban population living in informal, unplanned settlements, with little to no access to basic services. The lack of transparency, accountability and efficiency in the municipality's financial management system further impeded effective service delivery. A weak single entry accounting system that does not account for expenditure by service type, a lack of regular financial performance reporting, a lag in reconciling revenues with expenditures, poor expenditure management from slow procurement and weak controls, and unclear costs of services, all these make factoring value for money in decision making difficult. Expanding both coverage and quality of service delivery to the growing unserved population is a top priority for the city. However, the expected achievement of the objectives was noted as beneficiaries of "the increased access" and a report "to redesign financial management framework" reflected a weak formulation and pitched the PDOs at a low level without specific outcome indicators.

Country Context: Afghanistan is classified as a Fragile and Conflict-Affected (FCV) country by the World Bank. Economic growth and investment recovery has been constrained by security challenges. A regime change occurred in mid-August 2021.International partners, as well as Afghanis left the country. Western nations have suspended most aid. The World Bank and International Monetary Fund also halted payments. All World Bank missions to the country were suspended until further notice. Presently (in 2022) economic, banking, and humanitarian crises are reported.

Country Plans: At closing, the project objectives were relevant to the eleven national priority programs of the *Afghanistan National Peace and Development Strategy 2017-2021* (ANPDS). In particular, the PDOs were relevant to the national priority programs in strengthening urban governance, developing infrastructure, adequate housing, and improving urban-rural linkages. The PDOs were also relevant to all three pillars of the government's Urban National Priority Program (U-NPP) for 2016 to 2025. The PDOs were aligned with Pillar 1: strengthening urban governance and institutions by standardizing an integrated financial management system; Pillar 2: ensuring adequate housing and basic urban services for all; and Pillar 3: harness the urban economy and infrastructure, by focusing investments on urban renewal and improved public spaces.

World Bank Country Partnership Framework: At closing, the project was relevant to the World Bank's Country Partnership Framework (CPF) for Afghanistan for FY2017 - 2022, which was closely aligned with the government's ANPDS above, particularly in strengthening urban governance institutions. The PDOs were aligned to the first pillar "Building Strong and Accountable Institutions" that would enable government entities to deliver basic services to its citizens. The PDOs were relevant to Sub-objective 1.2 “Improved performance of key government ministries and municipalities.” The CPF also noted that the Bank “will continue to support municipal management in Kabul, with a focus on improving infrastructure and developing financial management capacity.”

PDO outcome (a) is fully aligned with the CPF sub-objective 1.2 as mentioned above. Under this sub-objective, the framework stresses the need to facilitate more effective service delivery through the government apparatus, placing special emphasis on improved road services. PDO outcome (b) is fully aligned with the CPF sub-objective 1.1: improved public financial management and fiscal self-reliance, which highlights the need to increase the government’s capacity for revenue and expenditure management. It also stresses that “public financial management, including budget execution, accounting, transparency, procurement and [the] development of [AFMIS]” is a priority.

World Bank Prior Experience in the Country and in the Sector: KMDP was preceded by the Kabul Urban Reconstruction Project (KURP), which closed in April 2012 after improving basic service delivery in underserved areas. This project scaled up and expanded on the outcomes of that project. KURP’s PDO was “to upgrade urban infrastructure to improve the delivery of basic urban services in underserviced communities in Kabul Municipality”. The Outcome Rating was Moderately Satisfactory. The Bank was also financing the implementation of the Eshteghal-Zaiee Karmondena (EZ-Kar) Project and the Relief Effort for Afghan Communities and Households (REACH) projects with the staff of the Project Management Unit of this project retained after closing (ICR, paragraph 38). This project was concurrently processed with the Kabul Urban Transport Efficiency Initiative (KUTEI) to upgrade Kabul’s transport infrastructure and complement efforts from this project. KUTEI would upgrade primary roads while this project focused on upgrading the adjacent neighborhoods (ICR, paragraph 5).

At closing, the project objectives were aligned with the government's development priorities and the Bank's development strategies for Afghanistan. The PDOs were pitched at a low level but were plausibly realistic for a fragile and conflict-affected state with intentions to minimize demands on under-staffed institutions. However, while the PDO level was low, restructuring expanded the scope of the outcome indicator (ICR, paragraph 70). The well-defined second objective to improve the financial management system to support better service delivery was sufficiently pitched at an outcome level. The relevance of the objective is rated High.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To increase access to basic municipal services in selected residential areas of Kabul city

Rationale

Theory of Change: A Theory of Change was prepared at closing to replicate the causal relationships established between inputs and outputs reflected in the Results Framework at appraisal (PAD, Annex 1). The inputs to achieve this objective were the construction of the basic services in selected neighborhoods, equipment would be procured, and plans and surveys would be used to design the proposed infrastructure. The inputs were measurable, actionable, and time bound. The inputs would lead to outputs such as roads paved, drains lined, neighborhoods upgraded, equipment installed to empty septic tanks, sweep roads, clear snow, and maintain secondary roads. However, at restructuring, the Acting Mayor cancelled the procurement of equipment because these services were now planned to be privatized. Funds were reallocated to increase infrastructure upgrading. The outputs remained plausibly linked to outcomes measured by the number of beneficiaries of the improved roads in both planned and unplanned areas. The restructuring added another indicator to accompany the increase in roads investments. The inputs and outputs were logical, and sufficient to achieve the targeted outcomes. The original and added outcome indicators, however, were expressed as the number of beneficiaries, which is more of an output rather than an outcome level indicator. There were no outcome indicators to show the development impact of the improved infrastructure on the lives and livelihoods of the residents in these neighborhoods.
These outcomes related to changes in the value of property to signify improvements in productivity (improved mobility, physical and mental health, recreation) were noted in analyzing the economic efficiency of the project (ICR, Annex 4). The TOC included an assumption to ensure that the objective would be achieved -- that there is sufficient capacity to implement the civil works contracts. This was a risk noted in the assessment of the project (see Section 8 Bank Performance (a) Quality at Entry below). This assumption came to bear when construction was delayed because of few qualified local contractors to carry out small contracts in unplanned neighborhoods or contractors qualified on paper who recruited inexperienced engineers at low salaries and were unable to deliver works on time (ICR, paragraphs 78, 83).

Outputs: Targets for the following outputs were substantially achieved or exceeded:

- Civil works were carried out in 21 (original target 22 districts) covering 3,641 ha (original target 1,773 ha, revised target 3,020 ha). The upgraded area was around 75 percent of the informal and unplanned areas. Quality assurance and control procedures applied to civil works met international standards and the quality of design and construction meant that routine cleaning met maintenance needs for the next 5 to 10 years (ICR, paragraph 37).
- The completed activities expanded municipal infrastructure and services by financing complementary interventions such as 88 km of sidewalks; 59 km of water supply pipes; planted 29,941 trees, and rehabilitated 11 hectares of four parks with electrification and street lighting. The project also cleaned the Wazir Abad Canal; dug four wells, constructed five pump houses, and procured four pumps to upgrade the Macrorayan residential complex's water supply system.
- The following roads were paved: 711.55 km (target 560.00 km) of community roads and 62.96 km (target 37.00 km) of trunk roads.
- The following drains were lined: 988.33 km (original target 745.00 km) of community drains and 55.57 km (no target provided) of trunk drains.
- 765 training sessions (in ICR, paragraph 39 but reported 675 in Annex 1) were held to support the roll-out of community-managed solid waste collection mechanism. Outside of the project, the government provided fixed containers as primary collection points and ensured that the monthly costs of door-to-door assortment were paid for by users (ICR, footnote 14).
- 684 GPS tracking devices (original target trackers for 667 vehicles, target exceeded) were procured and 3 control centers (no target) with equipment to monitor trackers were established.

- Due to COVID 19 impact, 4 street and drainage upgrading subprojects were not completed at closing but the remaining works and four contracts worth US$2.0 million were transferred to the Eshteghal-Zaiee Karmondena (EZ-Kar) Project (P166127) for completion (ICR, footnote 13).

Outcomes: The TOC identified two target outcome indicators, which the project exceeded at closing:

- 1,706,901 residents (original target 775,000, revised target 1,052,660) benefited from the upgrading in both planned and unplanned areas. The change of government in August 2021 meant no survey was carried out at project closing. Project activities were noted to have contributed to improved municipal services such as upgraded water supply system, rehabilitated parks with electricity and lights, and the roll-out of solid waste management collection (ICR, paragraph 39). The government complemented the solid waste training by providing primary collection points and collected monthly user fees for costs of door-to-door collection (ICR, footnote 14).
- 574,769.00 people (target, 500,000, target exceeded) in urban areas were provided access to all-season roads within a 500-meter range.
- About 4.50 million employment days were created through civil works contracts in mostly unplanned areas benefiting poor workers. 13 small-scale labor-intensive projects were initiated in 2020-21 and created 1.25 million person-days of temporary employment between June 2020 and June 2021. This outcome was not part of the TOC or the results framework.

Overall, the efficacy of the project to achieve this objective is rated Substantial with moderate shortcomings. There was lack of evidence at the outcome level on the improvements in municipal service delivery. There were no indicators to monitor the impact of the project interventions beyond the number of beneficiaries. The development problem of increasing access to basic municipal services would have been reflected in parameters of access such as quality, adequacy, reliability, and affordability. The Task Team confirmed in their April 6, 2022 email to IEG that quality and/or perception of quality were not part of the Results Framework and not reported.

Rating
Substantial

OBJECTIVE 2
Objective
To redesign Kabul Municipality's financial management system to support better service delivery

Rationale
Theory of Change: The original project input was to hire an international financial management advisor to assist the Kabul Municipal Deputy Mayor for Finance and Administration to work with various departments to assess reforms needed in financial management accounting, revenues, and management. In addition, inputs would include feasibility studies for recommended reforms. The expected output was a time bound, realistically sequenced action plan to implement institutional reforms. The indicator for this objective was a report on FM reforms whose recommendations would either be implemented under this project through Additional Financing or a follow-on standalone project (PAD, paragraph 65). This report, clearly an output, was the original outcome indicator. The 2017 restructuring revised this indicator to better express the

outcome of the intervention although still a weak formulation (see Section 9 M&E Design below). Input activities were added to lead to two additional outputs - the modules to train staff and adoption of a management information system (AFMIS). These inputs and outputs were measurable, time bound, and sufficient to achieve the revised outcome (even if this was weakly formulated). Maintaining accurate accounting records would allow the Kabul Municipality to analyze revenues and expenditures by service type so as to inform subsequent service delivery choices. However, the results framework did not include any outcome indicator to reflect service delivery choices made by the municipality as a result of public access to its financial information. Two assumptions accompanied this TOC: First, that incentives exist for Kabul Municipal officials to adopt changes in financial management. Second, that the staff of two project management units that would run concurrently - the Kabul Urban Rehabilitation Project and this project - would supplement Kabul Municipality's limited fiduciary capacity. Both assumptions were borne out at implementation. Municipal officials took some time to adopt a customized version of the AFMIS because the local government was reluctant to share a common system with the central government (through the Ministry of Finance). Capacity was constrained

Outputs:

- A number of detailed Terms of Reference (TORs) were finalized to develop Kabul's Financial Management (FM) framework. The original target was to establish a new Kabul Municipality’s Financial Management (FM) Framework supported by manuals, trainings, competency framework, etc., customized to the municipality's needs. Proposals were received in July 2020 but consultants could not be appointed because the municipality experienced high turnover at senior levels, the National Procurement Authority (NPA) had limited capacity and delayed evaluating technically sound proposals. The political and security environment deteriorated in the last two years of implementation and activities that had not started were discontinued. The project was not able to procure the Financial Management Manual consultancy (ICR, paragraph 99).
- 6 core financial modules (original target 8, target substantially achieved) were implemented. These Financial Management Information System (AFMIS / Free Balance) modules covered accounting, revenue, budgeting, purchasing and procurement, asset management, fleet management and payroll modules. Modules in Human Resources and inventory management were not carried out because of capacity issues and lack of time but some aspects were covered under the other 6 modules (ICR, paragraph 52).

Outcomes: This objective would be achieved by a singular outcome indicator revised at restructuring - public access to key financial information.

- Kabul Municipal Fiscal Year 2019- 2020 financial statements were publicly disclosed but not on its website. The financial statements were generated using the AFMIS and met international standards embodied in Generally Accepted Accounting Principles (GAAP, ICR, footnote 16). These financial reports disaggregated revenue and expenditure by type of services, by departments, over a period, and by location. The consultancy that would have assured that the municipal financial statements could be accessed online was not completed because of political leadership turnover, limited capacity of the national procuring entity, and continuing fragility that shifted priorities (ICR, footnote 17).
- The project redesigned the municipal Chart of Accounts. Business processes including paper-based ones were redesigned or replaced (ICR, paragraph 48). The Revenue, Budget, and Expenditure Dashboard was to provide municipal management and the public quick access to municipal financial data. The AFMIS core modules automated and integrated the municipality's public financial

management processes. The modules maintained accurate accounting records, aggregated and disaggregated revenue and expenditure data, allowed for timely data entry at headquarters and at districts and automated reconciliation. The modules supported more efficient budget expenditure management, enhanced internal controls by integrating approval processes based on user authentication, and provided an audit trail (ICR, paragraph 51). The purchasing module allowed users to track the contract management process, the asset management module facilitated the registration of assets, and the fleet module tracked fuel consumption and vehicle maintenance. The payroll module reduced processing times and the risk of ineligible salary payments, and identified ghost employees. The inventory and HR modules that were not implemented were covered by other modules - e.g., the asset management module included the functionality to enter data on fixed assets and inventories; the payroll module included functionalities that were envisaged in the HR module, except recruitment. These modules improved the overall system management. (ICR, paragraphs 50-53). However, these outcomes were not part of the TOC.

The efficacy of the project to achieve this objective is rated Modest. Output and outcome indicators were partially achieved. The revised outcome indicator was weakly formulated. The municipal financial statements, while publicly disclosed, were not online. As the ICR pointed out (paragraph 53), this indicator was too narrowly defined. The indicator was not a relevant or essential metric to redesigning the municipal financial management system. There was no outcome indicator associated with the results brought about by improving the public's access to the data of Kabul Municipality's resource allocation for its service delivery. Project inputs, however, have enabled some financial reporting but these outcomes were not captured in the results framework.

Rating

Modest

OBJECTIVE 3

Objective

To enable early response in the event of an eligible emergency.

Rationale

Theory of Change: This Contingency Emergency Response was created as a line item should a predetermined eligible emergency occur during the life of the project. This component would allow for reallocating unused project funds to be rapidly deployed in response to that emergency. Inputs, outputs and outcomes would be determined when the component is triggered.

Output: No eligible emergency was triggered.

Outcome: This component was not triggered.

Overall, the efficacy of the project to achieve this objective is not rated because no eligible emergency was triggered during the life of the project.

Rating
Not Rated/Not Applicable

OVERALL EFFICACY

Rationale
The outcome of one objective is not rated. The efficacy of the project to achieve the first objective is rated Substantial with moderate shortcomings. Outputs exceeded targets even as more pertinent indicators were not used (and therefore not reported). In addition to surpassing targets, there was evidence of additional outcomes but not captured in the TOC. The Task Team confirmed in their April 6, 2022 email to IEG that the 2016 MTR beneficiary survey dud not include a comprehensive baseline data. The randomized survey had a limited sample size of 375 beneficiaries, supplemented by four focus groups discussions. Project outcomes were sourced from quarterly progress reports. The efficacy of the project to achieve the second objective is rated Modest even as some impact in financial reporting was achieved although these outcome indicators were not part of the TOC. The overall efficacy of the project to achieve its objectives is rated Substantial with moderate shortcomings.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency: At appraisal, an **e**conomic analysis was applied for the basic municipal infrastructure, such as community roads, drains, footpaths, and street lighting. Partial list of benefits included change in property values, improved mobility, physical and mental health, and recreation, all of which improves productivity. Other benefits were not quantified. The project estimated an Economic Rate of Return (ERR) and Net Present Value (NPV) using a 10 percent discount rate for three sites - a planned, an unplanned, and mixed settlements. The ERR ranged from 74 to 95 percent and NPV ranged from US$24.92 to US$36.95 million. Cost used for the analysis at appraisal was 2.34 percent of the infrastructure investments (ICR, paragraph 56).

At closing, an economic analysis used the same methodology at appraisal. However, available data limited analysis and only an aggregated settlement was represented. Using the same 10 percent discount rate at appraisal (noted in the ICR as "standard") the NPV was estimated at US$3.6 million and the ERR for the infrastructure investments was 17 percent. Infrastructure investments were 17.06 percent of the total project cost.

Administrative and Operational Efficiency: The project was extended for an additional 18 months to complete works associated with expanded activities arising from reallocation of government priorities. Cost-effective technical adjustments were made at implementation such as shortening construction periods for subprojects between two to three months, according to the Bank Task Team in their March 15, 2022 email to IEG. After the earlier Kabul Urban Rehabilitation Project closed, the availability of their Project Management Unit's experienced and qualified staff made efficiency gains for the project's own project management unit. There remained inefficiencies associated with the few qualified contractors to take up small contracts in unplanned neighborhoods (see Section 4, Efficacy above) The Bank Task Team clarified in their March 15, 2022 email to IEG that works financed by other donors built local contractor capacity over several years. However, there remained initial challenges to find qualified contractors (ICR, paragraph 83). When the US military funding for construction sub-projects declined, local contractors then became available. Simplified procurement packages also attracted more bidders, and increased competitiveness. Security concerns limited the hiring of international experts, leading to increased use of local consultants, generating cost savings. Externalities from deteriorating economic conditions tightened competition and lowered unit costs of infrastructure by 18-24 percent or US$9.25 million in cost savings. Another US$5.86 million under the contingent emergency component was unused because there was no eligible emergency. Another US$3.61 million was unspent because the Financial Management Framework could not be implemented in time due to high turnover of senior political appointees, deteriorating security situation, prolonged procurement of key consultancies, and slow national procurement processes, Municipal officials' reluctance to adopt the AFMIS also slowed progress. COVID-19 restricted planned overseas trainings. Implementation efficiency in the final stages of the project was hampered by inadequate records management, delays in resolving questionable fixed asset expenditures, low budget utilization, weak funds management, and delays in payment processing, although these issues were resolved before closing.

Overall, the significant use of the grant in an FCV environment showed substantial efficiency. Externality from deteriorating economic condition favored increased competition that expanded the scope and increased the project's ambition of the project. Nevertheless, the complex, unpredictable nature of the FCV environment led to operational and administrative delays, some of which were resolved before closing. The project's efficiency is rated Substantial with modest operational shortcomings.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	87.70	2.34 ☐ Not Applicable
ICR Estimate	✓	17.00	17.06 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of objective is rated High. The PDOs were relevant to both the Kabul and country urbanization plans and the World Bank's strategy for Afghanistan overall. The efficacy of the project to achieve Objective 1 is rated Substantial with moderate shortcomings and that of the second objective is rated Modest while Objective 3 was not triggered and therefore not rated. The overall efficacy of the project to achieve its objectives is rated Substantial with moderate shortcomings because of lack of evidence to show the impact of the infrastructure investments under the first objective and modest efficacy of the second objective. Efficiency is rated Substantial. The overall project outcome rating is Moderately Satisfactory.

a. Outcome Rating

Moderately Satisfactory

7. Risk to Development Outcome

The regime change in mid-August 2021 led to the departure of the international community. Afghanistan is still a fragile and aid-dependent country, Insecurity and political uncertainty prevail. Continued financial assistance from the international community is critical to the government and to the country's development. objectives. Bank operations are noted as suspended until further notice. These and the following conditions pose high risks to the development outcomes of the project.

- **Financial**: There is heightened risk from weakening the financial position of Kabul Municipality. There is no clear way forward regarding central and local government structure. The design of the completed infrastructure assets that require little to no maintenance for a period of 5-10 years mitigate the risk from a weakened financial condition. However, routine cleaning would still be needed and there is no indication what systems remain to meet this minimal maintenance requirement.
- **Technical**: Technical staff may not be available to continue to run the AFMIS system. It is unclear if the websites will continue to be supported. There is a high risk that the financial management reforms will not receive continued support. Institutional development reforms require sustained commitment by the political leadership, and resources from donors. This risk is aggravated by the lack of clarity regarding the availability of technical staff to manage the improvements introduced by the project.
- **Covid-19 Risk**. The Covid-19 pandemic caused heavy damage on the Afghan economy. Recent events plus the impact from the pandemic are anticipated to cause a rise in unemployment and poverty. The Bank approved the Afghanistan Covid-19 Response Development Policy Grant in July 2020, with US$100 million from the IDA and US$100 million from the Afghanistan Reconstruction Trust Fund, to help the government strengthen policies that promote faster recovery and keep basic infrastructure such as water, electricity, and telecommunications afloat and running. But Bank operations are suspended until further notice.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project was substantially aligned to the country's and the municipality's development plans and to the World Bank’s strategy for the country. Lessons from the preceding project, the Kabul Urban Reconstruction Project (KURP) were incorporated into this project's design. This included the use of the municipal government responsible for delivering services rather than a national regulatory agency as implementing entity to avoid central-local coordination delays. The KURP approach was scaled up, keeping design simple within a complex operating environment. Substantial risks, such as uncertain security conditions, political interference in project management, weaknesses in technical municipal capacity to implement contracts, procurement, and financial management were adequately identified. The mitigating measures included proactive engagement with the political leadership, minimizing demands on under-staffed institutions by establishing a strong project management unit early with the help of qualified and experienced staff from the KURP that just closed. Infrastructure costs appear to have been overestimated generating substantial cost savings (see Supervision below). Social development aspects engendered participation by women at implementation to facilitate community ownership. Objectives were realistic although pitched at a low level in the results spectrum - more an output than an outcome. This was acceptable given the complex operating environment, increasing fragility, and FCV context of the operation. This shortcoming at entry showed as a weak results framework that lacked outcome indicators to reflect the impact of the project interventions. This weakness was also reflected in the quality of the M&E design (see Section 9 M&E below). The project was ready to be implemented evidenced by availability of the engineering, financial management, contract management, and procurement staff from the closing KURP project (ICR, paragraph 73).

Overall, the quality at entry is rated Moderately Satisfactory with shortcomings in the weak results indicators and the weak M&E design (see Section 9, M&E below).

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

Over the 7-year implementation period, 3 Bank task team leaders managed 15 semi-annual supervision missions with the final supervision mission conducted remotely due to the COVID-19 pandemic. From September 2020, the Task Team Leader was based in Kabul. The country office provided fiduciary and safeguards staff throughout implementation. This field presence allowed continuing dialogue with counterparts. The Mid Term Review (MTR) was undertaken as planned. Bank staff addressed implementation challenges by maintaining close relationships and dialogue with municipal officials. According to the Bank Task Team in their March 15, 2022 response to IEG, the fragility of the institutional arrangements, intra-governmental disagreements, weakened capacity from the high rate of turnover of political leadership were duly noted in their Implementation Status and Results Report (ISRs). The Bank Task Team reported corrective measures to address the threats posed by the anticipated withdrawal of the US troops by devising mitigating measures such as recruitment of additional staff, strict monitoring of fiduciary processes, and proactive engagement with local officials (ICR, paragraph 103). The project saw seven Mayors from appraisal to closing. Each had a vision for the project, resulting in component changes, procurement delays, slow bid evaluations due to the appointment of new evaluation committee members. These changes also led to ad hoc adjustments to awarded civil work contracts, variation orders, and extensions. The PMU was initially fully staffed but experienced staff shortages in procurement, contract management, and financial management as the project progressed. There was no Project Director between 2015 and 2019 (ICR, paragraph 77). Implementation slowed when the PMU was assigned to implement a subcomponent of the EZ-Kar (effective February 2019) and the REACH (effective September 2020) projects. The Bank team facilitated recruitment of additional staff. Despite challenges, procurement and financial management processes were adequately monitored. A Third-Party Monitoring Agent (TPMA) was put in place (see Section 10 Other Issues below). The Bank team contributed to resolve the issue regarding the adoption of the AFMIS by facilitating the dialogue among with the offices of the President, the Minister of Finance, and the Mayor to address concerns (ICR, paragraph 75). However, the political and security environment deteriorated. By early 2021 international troop withdrawal was announced, which complicated Bank supervision. M&E during supervision was adequate. However, the Bank could have paid greater attention to the weaknesses of the Results Framework, especially on the indicators for outcomes under the second objective. The Bank made adequate transition arrangements for the activities after closing by transferring four partially completed work packages to EZ-Kar. However, Bank projects have been suspended until further notice.

Overall, the quality of Bank supervision is rated Satisfactory because of the various corrective measures adopted to address operational inefficiencies even as weaknesses in the results framework and M&E design were somewhat improved.

Overall Bank performance is rated Moderately Satisfactory. The moderate shortcomings in the quality of entry related to the lack of adequate indicators to support the outcomes of the project interventions and the weak M&E design remained at supervision. The quality of supervision is rated Satisfactory because corrective measures were undertaken to address administrative and operational inefficiencies before the project closed (see Section 5 Efficiency above).

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design
The objectives were stated simply (to increase access) but also specific (to redesign). The theory of change was not well reflected in the results framework at appraisal. The indicators did not show a strong link along a causal chain between outputs and outcomes. Outcomes were poorly formulated and did not encompass the expected project development outcomes of the project intervention. The intermediate output indicators in infrastructure were specific, measurable, achievable, time bound, and adequately captured the contributions of the project interventions (components) toward achieving the outcome. However, the framework did not go beyond expressing the outcome as the number of direct beneficiaries. The two outcome indicators of the first objective were more of an output rather than an outcome. There were no indicators to monitor the impact of the increased access to basic infrastructure and services to the lives or livelihoods of targeted residents. Targets were set for one outcome indicator but not for the other because a survey was to be conducted to arrive at a target. The target value was set at restructuring. In the case of the second objective, the causal logic between inputs and outputs to arrive at the desired outcomes

was unclear. The outcome itself was an output. This shortcoming was partially addressed at restructuring but the new indicator was not the most relevant metric.

b. M&E Implementation

The Project Management Unit of the Kabul Municipality implemented the M&E system as designed. Indicators established at appraisal were monitored for progress. Methodological concerns regarding the collection of beneficiary baseline data were resolved before restructuring. The intermediate indicators had appropriate baselines and targets although several targets were not set until after the conduct of on-the-ground surveys. The project conducted a full census of each neighborhood to report on the number of beneficiaries for each subproject. The MIS was in place throughout the life of the project. MIS was functional and produced 24 comprehensive quarterly progress reports, including sections on environmental and safeguards, and financial management, according to the Bank Task Team in their March 15, 2022 email to IEG (ICR, paragraphs 90-92). M&E reporting was supplemented by social and environmental monitoring reports and by financial management reports (ICR, paragraph 89). At restructuring, shortcomings in the indicators were addressed and slightly improved. The revised outcome indicator was desirable but not essential to redesigning the financial management system to support better service delivery and did not match the expected outcome of the PDO. The project should have drawn up several indicators instead of relying on the single indicator (ICR, paragraph 87). The added intermediate-level indicators under the second objective to redesign the financial management system for better service delivery, i.e., design and implement the financial management framework; and the implementation of the 8 other modules of the financial management system, were deemed overly ambitious in the face of increasing security risks (ICR, paragraph 94)..

c. M&E Utilization

The government, implementing agencies, and the Bank team used the MIS reports to monitor and evaluate the project outputs and outcomes. Indicators and targets were modified during restructuring based on relevant inputs. For example, outcome indicators under the first objective were adjusted where some targets had been achieved or scaled up to reallocate resources when it became evident that several civil works were at risk of not being completed by project closure. Overall, progress was closely monitored by the PMU and the Bank and discussed during regular missions.

Overall, the quality of M&E was Modest. There were shortcomings in the design of the M&E system. M&E implementation was adequate and the use of M&E data sufficient to inform efforts to reallocate resources to achieve the PDOs. However, the indicators introduced at restructuring were ambitious and not relevant to achieve outcome.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

Environmental Safeguards: The project was classified at appraisal as Environmental Category B" because civil works under the first component (infrastructure upgrading) may cause localized and temporary environmental impacts such as land degradation, air pollution, noise generated, and health and safety concerns during construction. The project triggered OP/BP 4.01 or Environmental Assessment. Removal of land mines were included in the Environmental and Social Management Frameworks (ESMFs) (PAD, paragraph 46). The ESMF guided the preparation of specific Environmental and Social Management Plans (ESMPs). Negative impacts under the project were to be mitigated by integrating provisions of the ESMPs in bidding documents. The project reported that contracts included safeguard management obligations provided in the ESMPs. With COVID-19, the ESF/Safeguards Interim Note was made mandatory.

Social Safeguards: At appraisal, **t**he project triggered Involuntary Resettlement Policy (OP/BP 4.12) and Physical Cultural Resources (OP/BP 4.11) if land acquisition was needed or if there were historical buildings in the target neighborhoods (PAD, paragraph 43). The ESMF included mitigation strategies for identified social impacts, including for physical cultural resources. The Resettlement Policy Framework (RPF) prepared for the preceding project (Kabul Urban Transport Improvement Efficiency (KUTEI) was to be applied to this project (PAD, paragraph 43) although no .relocation or resettlement were anticipated because infrastructure improvements were within existing rights of way. (PAD, paragraph 44). A Grievance Redress System (GRS) was established including the *Gozar* Cooperating *Shuras* at the *gozar* or neighborhood level established under the preceding Kabul Urban Management Project (KUMP, PAD, paragraph 45). The project did not involve involuntary land acquisition and resettlement but community members continued the practice of donating land, especially for street widening. The project documented all donated lands with the signed donors consent letters following Bank guidelines. The project GRM received and resolved a total of 495 complaints, 46 of which were registered by women.

b. Fiduciary Compliance

Financial Management: Fiduciary processes were efficient for most of the project but slowed before closing. The financial management performance weakened toward the last quarter of FY 2020. A Third Party Monitor Agent (TPMA) found US$2.2 million in questionable expenditures. The Bank Financial Management review in June 2020 identified questionable expenditures of US$ 0.040 million related to fixed assets procured without an approved procurement plan. These issues were resolved. Of the remaining undocumented advances of US$ 4.9 million, the TPMA verified US$ 4.5 million in expenditures but without submitting the documentation to the Bank because of the August 2021 change in government. The TPMA was reported to be verifying remaining advances. Other financial management control weaknesses noted were (i) low budget utilization, (ii) weak funds management such as temporary liquidity issues due to the untimely replenishment of the Designated Account, (iii) non-compliance with the Financial Management Manual introduced in February 2019, such as delays in payment processing, inadequate record management, and non-application of the manual’s procedures. These issues were also reported to have been resolved. The project submitted Interim Unaudited Financial Reports on time, with few exceptions. Kabul Municipality's internal audit directorate was assigned to conduct internal audit but lacked capacity. Progress was slow in addressing external audit findings related to control weaknesses. The last external audit report was not submitted because the Supreme Audit Office of Afghanistan is not functional. The audit report for the Fiscal Year ending December 21, 2020 was due September 21, 2021. All audit reports for the Bank's Afghanistan portfolio are overdue. The Bank was looking for an alternative mechanism (ICR, footnote 37). The project was not able to procure the Financial Management Manual consultancy.

Procurement: The Kabul municipal management and the National Procurement Commission (NPC) approved all procurement. **T**he NPC processed all large procurement packages, which were time consuming. Long approval processes and a shortage of qualified local firms slowed procurement. Unfavorable market conditions in Afghanistan made the selection of contractors difficult. Few qualified local contractors could execute small contracts in unplanned neighborhoods. Security closures delayed implementation. Permit requirements restricted delivery of materials. The average time between bid opening and contract signature was 83 days from 2013 to 2018 but increased to 141 days in 2019 because of both national and municipal government capacity issues and longer approval processes (ICR, paragraph 60). The project achieved more than 90 percent of the planned procurement. Project procurement staff were in place and trained. Required documents were uploaded to the Systematic Tracking of Exchanges in Procurement (STEP) system. Contract packaging helped ensure that contracts were manageable in size, given the weak local industry capacity. Risks were mitigated through the use of a Third-Party Monitoring Agent (TPMA).The COVID-19 pandemic caused significant procurement and disbursement delays. Lockdown restrictions, closed government offices, and more than half of the PMU staff fell sick with the virus and further slowed Implementation. Four work packages that could not be completed by closing were passed on to be implemented under the EZ-Kar project.

c. Unintended impacts (Positive or Negative)

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d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The ICR listed lessons from the operation for teams to consider in FCV environments. Some of those lessons are listed below with slight modifications.

- **Having a local entity with an operational mandate to implement a project with subnational activities rather than a national agency with regulatory oversight may avoid implementation delays**. The previous Kabul Urban Rehabilitation Project was implemented by the national Ministry of Urban Development. Implementation was delayed because the national agency had to negotiate with local municipal officials who were responsible for service delivery that the national entity was regulating. . In this project, the local government implemented the activities and avoided delays. The infrastructure outcomes were achieved in a timely manner.
- **Engaging the community strengthen ownership of urban upgrading.** In this project, the bottom-up approach of community consultations through *Gozar* Cooperating *Shuras* (GCS) accelerated subproject implementation by providing feedback in the design of the area upgrading, the operation and maintenance (O&M) mechanism of community solid waste management, and addressing disputes after receiving training in the Grievance Redress Mechanism (GRM). The GCS was also used to increase women participation in the project through 1,387 consultation sessions and electing 94 women to the GCS (ICR, paragraph 63, footnote 23). The consultative mechanism using the GCS gave residents in a difficult operating environment a means for conducting a social contract with its government.
- **Careful navigation of center/local relationships may lead to positive outcomes**. In this project, activities were focused at improving the financial management of Kabul municipality. Perception of a central government hold on local concerns led municipal officials to be reluctant to use a customized MIS system that the Ministry of Finance was already using. This tension required constant dialogue to openly address concerns and led to the eventual adoption of customized AFMIS modules for use by the Kabul municipality. This is relevant in fragile settings where institutional relationships and oversight are not always clear and capacity nascent.
- **When faced by contracting challenges such as weak capacity, increasing security risks, and a lack of willing international consultants a strategy of reducing reliance on international consultants, where practicable, adjusting outcome indicators that rely on them, and the use of technology may be useful considerations at design.** In this project, implementing technical assistance-heavy institutional reform called for posting international consultants but the project faced the challenges brought by the willingness of available consultants to face increasing security risks. These risks also led to rapid turnover rates of politically appointed leadership, renegotiated priorities, reconstituted institutional set-ups such as tendering boards, procurement and contracting delays, and reluctance from international consultants to conduct on the ground institutional reforms. This delayed the delivery of technical assistance, delayed initiation, reduced completion of project activities. Target outcomes were originally set with some of these risks in mind but mitigating measures proved to be inadequate. Future project design may need to consider the use of technology (audio and video conferences, remote communications, rather than in-person appearances) to deliver technical services, to encourage consultants who would otherwise be deterred by difficult travel and living arrangements. The COVID-19 pandemic highlighted the benefits of this course of action, such as in the team's conduct of virtual supervision missions at the time of the pandemic (ICR, paragraph 105).
- **Even small improvements in financial management can increase transparency, accountability and may improve expenditure management.** In this project, the institutional reform in financial management envisioned for the Kabul Municipality

was meant to assist the local government in making informed decisions about expenditure allocation that met the needs of its residents. Ambitious and likely to be tempered by identifying areas where capacity improvements may serve as foundational building blocks. In implementing some modules under the customized AFMIS, the municipality identified ghost workers, ensured the timely payment of staff, and reduced fuel consumption. While these were not sufficient to achieve the project's outcome indicator, a taste of these small improvements may help motivate local movers and shakers to aspire for further improvements.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR presented a succinct, results-focused operation of the project following OPCS guidelines. The expansion of the project's ambitions based on the additional activities were well explained (ICR, Section B, paragraphs 21-29 and Annex 1 and 7). Annexes were useful to strengthen the arguments for the project's efficiency (Annex 4), with examples of the project benefits useful in pointing out the shortcomings of the outcome indicators discussed in the main body of the report (sections 4 Efficacy and 9 M&E Design). The outputs and outcomes of the project were concisely presented. The assessment of the quality of Bank supervision was candid, The discussion of the outcomes under the implemented AFMIS modules pointing to the changes in the financial management framework (ICR, paragraphs 48-52). The assessment of efficacy was candid, concluding that the outcome indicator used for Objective 2 was not relevant (ICR, paragraph 53), acknowledging that the Bank team could have done more to address the shortcomings in the results frameworks indicators for objective 2 (ICR, paragraph 104). The report showed the dramatic escalation of the security risks. Lessons were informed by the evidence from the operation. Particularly useful for project teams were strategies when deploying international consultants facing high security risks. The quality of the ICR is rated Substantial. There were moderate shortcomings in discussing the indicators of the results framework, the theory of change, and the M&E design.

a. Quality of ICR Rating

Substantial