



1. Project Data

Project ID

P160619

Project Name

Cities Investment Program

Country

Afghanistan

Practice Area(Lead)

Urban, Resilience and Land

L/C/TF Number(s)

IDA-D4140,TF-A9089

Closing Date (Original)

30-Jun-2024

Total Project Cost (USD)

8,093,755.83

Bank Approval Date

19-Dec-2018

Closing Date (Actual)

30-Jun-2024

IBRD/IDA (USD)
Grants (USD)

Original Commitment

50,000,000.00

25,000,000.00

Revised Commitment

22,447,290.19

4,947,561.92

Actual

8,093,755.83

4,046,877.92

Prepared by

Cynthia Nunez-Ollero

Reviewed by
Christopher David
Nelson
ICR Review Coordinator

Kavita Mathur

Group

IEGSD (Unit 4)

2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (FA, p. 5) and the Project Appraisal Document (PAD, paragraph 17) the Project Development Objective (PDO) was "to introduce sustainable municipal finance and management systems in nine participating provincial capital cities (PCCs) and rehabilitate municipal infrastructure in five participating PCCs."



This was to be the first of two in a Series of Projects (SOP) under the umbrella Cities Improvement Program (CIP). Three objectives comprised the program (PAD, paragraphs 16,17, and 18):

- The Program Development Objective (PRDO) was to improve the sustainability and livability of **nine** regionally balanced provincial capital cities (PCCs).
- The PDO for SOP I was to introduce sustainable municipal finance and management systems in **nine** participating PCCs and rehabilitate municipal infrastructure in **five** participating PCCs.
- The PDO for SOP II was to rollout sustainable municipal finance and management systems and expand municipal infrastructure and service coverage in the same **nine** participating PCCs from SOP I (PAD, Annex 2, Table 1).

The first restructuring (see Dates below) introduced a third objective to this SOP I project and reduced the target PCCs from **nine** to **five**. This review will assess these three original objectives:

- To introduce sustainable municipal finance and management systems in nine PCCs
- To rehabilitate municipal infrastructure in five PCCs
- To support COVID-19 recovery efforts in five PCCs

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

Did the Board approve the revised objectives/key associated outcome targets?
No

c. Will a split evaluation be undertaken?
Yes

d. Components

1: Rehabilitate Municipal Infrastructure: (US\$30.0 million at appraisal, reduced to US\$25.0 million at restructuring, US\$5.01 million actual). This component was to finance the rehabilitation of basic municipal infrastructure in **five** participating PCCs (Herat, Jalalabad, Kandahar, Khost, and Mazar-e-Sharif). The formula to allocate financing to the 5 PCCs was to be based on development needs, using the official municipal classification and population size as proxies. PCCs were to target women and disadvantaged groups for inclusion in the consultations and in the selection of project processes. At least one investment project in each PCC was to target women.

2: Strengthen the Municipal Finance Framework: (US\$2.0 million at appraisal, revised to US\$1.5 million at restructuring, US\$0 million actual). This component was to finance systems development, training, and technical assistance to assist the 9 PCCs (the five above and four PCCs added at implementation) to improve its allocation system, following the Municipal Law. The Independent Directorate for Local Governance (IDLG) was to implement this component.

3: Improve the Municipal Management Framework (US\$14.0 million at appraisal, reduced to US\$4.5 million at restructuring, US\$0.012 million actual) This component was to finance training and technical



assistance activities to strengthen the capacity of nine PCCs in municipal planning and management under the following four sub-components:

- *Municipal capacity building.* This sub-component was to finance consultant services, training, and equipment to customize capacity building at the municipal level that would integrate climate change and natural disaster considerations. These were to include an Asset Inventory and Management Plan (AIMP), a Unified Municipal Chart of Accounts and a municipal-level automated Afghanistan Financial Management Information System (AFMIS-M) compatible with the national AFMIS, and municipal budget planning, execution, and reporting tools.
- *Strategic development frameworks (SDFs).* This sub-component was to finance the preparation of SDFs of four additional PCCs to be determined during implementation and update the SDFs of the first five PCCs. The SDF was to inform the preparation of Municipal Strategic Plans as required by the Municipal Law. The SDFs were to help cities develop opportunities and urban growth trajectories; and plan and prioritize benchmark improvements and approve multiyear Capital Investment Plans (CIPs).
- *Catalytic investment projects.* This sub-component was to finance consultant services to help each PCC prepare feasibility and design studies for the investments identified in the multiyear CIP. SOP II was expected to finance viable and tender-ready capital investment projects.
- *Urban policy reforms.* This sub-component was to finance consultant services and train the staff of the Ministry of Urban Development and Housing (MUDH) to prepare two documents - an affordable housing action plan to identify market gaps and recommend reforms; and an urban planning framework to implement the new legal framework.

4: Project Implementation Management: (US\$4.0 million at appraisal, US\$1.1 million actual) This component was to finance implementation management including an independent verification consultant to monitor municipal performance improvements. Existing staffing arrangements were to simultaneously implement another Bank-financed project, the Eshteghal-Zaiee Karmondena (EZ-Kar) project with non-staff incremental operating expenditures separately charged to each project.

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

Project Cost: The original total project cost was US\$50.0 million. This project covered the first of two of what was to be the Series of Projects (SOP) under the Cities Investment Program (CIP). The actual project cost was US\$8.1 million.

The CIP divided the program into a series of Projects (SOP): SOP I (US\$50 million) to finance institutional improvements in nine PCCs and priority investments in the first five PCCs - Herat, Jalalabad, Kandahar, Khost, and Mazar-e-Sharif. The project would add four more PCCs during implementation. SOP II (US\$ 150 million) to build on the institutional improvements and support catalytic investments in all nine cities.

Financing: Two sources of grants financed SOP I: (i) the International Development Association (IDA) with the equivalent of US\$25 million; and (ii) the Afghanistan Reconstruction Trust Fund (ARTF) administered by the International Bank for Reconstruction and Development (IBRD) for another US\$25 million. The project disbursed US\$8.1 million. The project cancelled US\$15.0 million at restructuring (see Dates below) to fund



the government's response to the COVID-19 pandemic, bringing the revised total project cost to US\$22.5 million. The project cancelled the ARTF balance of US\$12.5 million through an Omnibus Notice of Cancellation.

Borrower Contribution: None.

Dates: The Board approved this project on December 19, 2018 and became effective on February 6, 2019. The project was to close on June 30, 2024. The Bank suspended the project after the fall of the government in mid-August 2021 and closed the project on August 15, 2022 (ICR, paragraph 30). Following are significant dates of the operation:

- On August 17, 2020, a level 2 restructuring revised the PDO and added an objective to respond to COVID-19. The PDO now read: "... to introduce improved municipal finance and management systems, rehabilitate municipal infrastructure, **and support COVID-19 recovery efforts** in the **five** participating PCCs." The project cancelled SDR5.45 million in IDA and US\$7.5 million from the ARTF grant or a total of US\$15 million equivalent and transferred to finance the Relief Effort for Afghan Communities and Households Project (REACH, P177230), a World Bank supported COVID-19 response project (ICR, paragraph 30). The project updated the target values and indicators in the results framework, costs and components, financial and procurement systems accordingly.
- In mid-August 2021, the World Bank suspended operations when the Taliban took over the government.
- On March 1, 2022, the World Bank Board approved Approach Paper 2.0. Donors agreed to finance investments, analytical work, and coordination/convening activities. These funds were to protect the vulnerable, help preserve human capital and key economic and social institutions, reduce the need for future humanitarian assistance, and improve gender equality outcomes. United Nations agencies and international and national non-governmental organizations would implement recipient executed grants. These grants were outside of the interim Taliban administration (ITA).

Split Rating: The project added a new PDO to respond to the COVID-19 pandemic as part of a portfolio wide adjustment to respond to the pandemic. This restructuring effectively financed two projects, reduced the ambition and key outcome targets of the original but expanded its original scope designed to improve project outcomes. The government fell in mid-August 2021. The project closed prematurely before completing the project. A split rating captures the outcome of the project before and after the fall of the government.

3. Relevance of Objectives

Rationale

Context: Afghanistan has 154 municipalities, including 34 Provincial Capital Cities (PCCs). These PCCs were underfinanced and were unable to keep pace with infrastructure investment needs. Institutions for urban development and municipal management were weak. The government was addressing its legal framework, an Urban Development Law passed in 2017. This law established a hierarchy for urban



planning and clarified institutional roles. A Municipal Law was issued in 2018. This law allocated responsibilities to local governments, required a performance-based municipal finance allocation mechanism, and rationalized and streamlined functional responsibilities (ICR, paragraph 9). Improvements in institutional arrangements for urban development and municipal management were in progress before the Taliban took over the government in mid-August 2021.

Country Plans: In October 2016, the government issued the Afghanistan National Peace and Development Framework (ANPDF) for the period 2017-2021. This framework acknowledged the significant role of cities as engines of economic growth and hosts to migrants. The government also had an Urban National Priority Program (U-NPP). The PDOs of the CIP program in general and this first SOP I, was highly relevant instruments to boost these national priorities. This project was to build strong and accountable institutions with adequate financial and municipal management capacity to deliver services (ICR, paragraph 10).

World Bank Group Country Partnership Framework (CPF) The Bank extended to 2022 the World Bank Group Country Partnership Framework (CPF) for Afghanistan for the period FY2017-2020 following the 2019 Performance and Learning Review (PLR). The PDOs were relevant to the three pillars of the CPF: building strong and accountable institutions, supporting inclusive growth, and expanding and deepening social inclusion. The SOP I was to significantly contribute to achieving the objectives of the CPF by strengthening the capacity of national and local institutions in efficiently mobilizing financing, planning city investments, and delivering critical municipal infrastructure services to improve city livability for residents and businesses. The project was to promote inclusive development by targeting nine PCCs. The project was also to lay the foundation for a performance-based financing system to PCCs to improve municipal performance in budget planning and execution, resource mobilization, expenditure management, and service delivery. Good practices in establishing municipal management standards, municipal capital investment and budgetary planning practices were to foster fiscal discipline.

World Bank Experience in the Country and in the Sector: The Bank initiated a structured engagement in the urban sector following the government's Urban National Priority Program (U-NPP). These included the Kabul Municipal Development Project (KMDP P125597), which provided urban upgrading support to address informality and urban poverty (2014– 2021). The project increased access to municipal services in selected residential areas and redesigned the municipality's fiscal management system to support better service delivery. The Urban Development Support Project (UDSP) built capacity of national regulatory agencies, updated key urban policies, and initiated local strategic development planning in a structured and consultative manner (2017-2020). The UDSP initiated a programmatic urban sector approach. These urban projects were to inform the country's decentralization policy debate. The Citizen's Charter Afghanistan Project (CCAP); was a multi-phase, country-wide program that financed small-scale development projects in both rural and urban areas to promote citizen engagement at the community and district level. The Eshteghal-Zaiee Karmondena (EZ Kar) project or Improving Economic Opportunities in Hosting Cities Project supported Afghan cities, towns, and villages that hosted refugees by financing small-scale investments and job creation schemes. The EZ-Kar investments complemented those under this project by focusing on urgent, district-level projects to create economic opportunities. The Cities Investment Program (CIP) was to achieve geographical balance by using performance-based financing to implement priority and catalytic investments in nine cities, outside of Kabul.

Overall, the relevance of objectives is rated **High**. The PDOs were relevant to the objectives of the Bank and the country in the urban development sector. The project had clearly structured components and had a clear operational logic. The project pitched the PDOs at a level recognizing existing capacity.



Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To introduce sustainable municipal finance and management systems in nine PCCs.

Rationale

Theory of Change (ToC): The overall CIP design covered a series of actions to address institutional development challenges faced by nine participating provincial capitals (PPCs). The ToC called for introducing reforms in municipal finance and municipal management incrementally. The ToC would establish performance standards and systems to sustain these reforms over time. **Inputs** were to involve training and capacity building activities under two components (Components 2 and 3). A critical assumption was that the financial resources (embodied in component 3 and forming objective 2 below) were sufficient to improve municipal services. **Outputs** were to be the design and application of rules and performance-based resource allocation systems, tools and plans to enhance Own Source Revenue (OSR) generation, the implementation of an Asset Inventory and Management Plan (AIMP), adopting a unified Chart of Accounts to automate a functional fiscal management system, and implement budgets within prescribed timeframes. **Outcomes** were to be executed planned budgetary improvements for PCCs. While the gender disaggregated beneficiaries formed part of the corporate scorecard, the outcome indicators were at the output or intermediate outcome levels at most. The project was to conduct beneficiary surveys at midterm and at closing to extract evidence to support the outcome indicator associated with improvements in the lives and livelihoods of residents. A trend in OSRs generated, efficiencies in budgetary allocations reached, or performance scorecards might have been useful outcome indicators. **Assumptions** The ToC identified the following three assumptions to increase the likelihood of achieving the outcomes: (i) sufficient industry capacity to absorb and implement the project contracts; (ii) government officials effectively coordinate policy actions with the PCCs; and (iii) the target PCCs would not become contested territory.

OUTPUTS: The participating PCCs did not achieve the original targets of the following outputs:

- The project completed the necessary Terms of Reference (TORs) to procure and design reporting tools, templates, and guidelines to improve municipal budget planning, execution, and reporting but did not hire any firms.
- The ICR claimed that municipalities were on track to improve their OSRs because they completed the TORs for establishing OSRs as planned. The project presented these outputs to the IDLG for policy dialogues. The project also drafted legislation for improved governance structure as planned. The project was negotiating a consultancy to develop OSR enhancement strategies but did not hire a firm.



- The project did not design a performance based municipal finance allocation mechanism. However, the ICR claimed that the project was on track to establish a performance-based municipal finance allocation mechanism because the project presented a Municipal Incentive Fund (MIF) options paper and an action plan to the Independent Directorate for Local Governance (IDLG) for policy dialogue. The plan identified timebound actions and responsible entities. The project drafted regulations for the MIF's governance structure, completed the MIF Task Force TORs, which assessed legal and technical issues and facilitated inter-institutional coordination. The PCCs did not adopt either Asset Inventory and Management Plans (AIMPs) or the Strategic Development Frameworks (SDFs). The project did not indicate any progress against these outputs because of other priority activities (see Objective 2 below). The project later dropped these outputs (see below).

OUTCOMES: The participating PCCs did not achieve the targets of the three outcome indicators.

- The project did not conduct any survey, although a TOR for the survey was completed. No beneficiaries reported improvements in municipal services. The original target was 70 percent.
- The ICR reported that 162,292 urban residents benefited from the project against an original mid-term target of 400,000 and end target of 800,000.
- None of the PCCs met their OSR targets. The original target was 4 PCCs.

Overall, the efficacy of the project to achieve this objective is rated **Negligible**. The project did not achieve any of the target outputs or outcome indicators.

Rating

Negligible

OBJECTIVE 1 REVISION 1

Revised Objective

To introduce sustainable municipal finance and management systems in five PCCs.

Revised Rationale

This PDO was not revised but the number of target PCCs was reduced from nine to five. Changes were made to the target values of the outcome indicators to accommodate this change.

Revised Theory of Change (ToC): The project reduced the target PCCs from nine to five and revised target values of the outcome indicators accordingly. The ToC dropped one outcome indicator but maintained the long-term urban development agenda by keeping the elements of the institutional support to the municipalities. **Revised outputs:** The ToC dropped the following outputs: (i) capacity building packages; (ii) strategic development frameworks, (iii) urban policy reforms embodied in an affordable housing action plan and an urban planning framework; and (iv) feasibility and design studies for catalytic investment projects. The ToC would revisit the feasibility and design studies after the Mid Term Review (MTR), but the project did not undertake a MTR and later dropped this output. **Revised outcome:** The ToC dropped an outcome indicator because the project did not implement precedent activities. The ToC reduced the target value of an



original outcome indicator because of reduced resources. The original assumptions remained valid. The Bank suspended the project after the mid-August 2021 government collapse and then closed by August 2022. Both periods reflected the same outputs and outcomes.

REVISED OUTPUTS:

- The project did not provide the PCCs with an improved MIS. Afghanistan used two MIS: (i) the Afghanistan Financial Management Information System (AFMIS) used by The Ministry of Finance (MOF) and Kabul Municipality; and (ii) the Integrated Financial Management Information System (IFMIS) used by several municipalities. A consultant started but did not complete an AFMIS baseline assessment. The assessment evaluated needs, compared the systems, recommended which system was better suited to the municipalities, and prepared a municipal implementation plan. The project drafted an Afghanistan Financial Management Information System (AFMIS) Memorandum of Understanding (MOU) for signature by the Ministry of Finance. Each city hired financial advisors in anticipation of the system's rollout. However, the government refocused its priority on a performance-based municipal finance allocation mechanism. IDLG did not extend the consultant's contract. There were no final deliverables.
- The project dropped the following outputs:
 - capacity building packages
 - strategic development frameworks
 - an affordable housing action plan and an urban planning framework
 - feasibility and design studies for catalytic investment projects

REVISED OUTCOMES: The participating PCCs did not achieve the revised targets of the following outcomes:

- 209,050 urban residents benefited from the project. The revised midterm target was 300,000 and the revised end target was 650,000 urban residents.
- The ToC dropped the outcome indicator - PCCs met their OSR targets (ICR, paragraph 26).

Overall, the outcome of the project to achieve this revised objective is rated **Negligible**. The project did not achieve the revised target values of the outcome indicator.

Revised Rating
Negligible

OBJECTIVE 2

Objective

To rehabilitate municipal infrastructure in five participating PCCs.

Rationale

Theory of Change (ToC): The PCCs were to consult with their communities to identify priority projects that would improve service delivery and livability. **Inputs** were to include the consultative processes, training, and technical assistance designed to identify, screen, and finance priority project that met the eligibility criteria.



Communities were to participate in evaluation committees to select contractors, monitor contractor performance, and authorize payments for completed works. **Outputs** were to include prioritized small-scale interventions. The ToC expressed the **Outcomes** as the number of residents who benefit from improved livability because of improved services delivered. A beneficiary survey to be conducted at closing would provide the evidence. As noted above, the number of gender-disaggregated beneficiaries form part of the corporate scorecard. This indicator was insufficient to reflect the outcome of the interventions. The same assumptions in Objective 1 applied here.

OUTPUTS: The participating PCCs exceeded or achieved the targets of the following outputs:

- Communities chose priority projects. Residents discussed draft designs. Various stakeholders conducted and documented consultations as part of sub-project screening and scoping studies, and during the preparation of Environmental and Social Management Plans. The local community and beneficiaries shared 100 percent of the design for priority municipal infrastructure projects, as targeted.
- The project developed a list of catalytic investments, as targeted and presented this list to the IDLG. The PCCs shortlisted the projects to develop designs. The ICR claimed that the PCCs were on track to complete detailed designs for catalytic investments.
- The project resolved all 29 or 100 percent of registered grievances within the stipulated timeframes of the Grievance Redress Mechanism (GRM). These grievances were related to the duration of construction activities, dust, and the lack of diversionary routes. The original target was 70 percent of registered grievances.

The participating PCCs did not achieve the targets of the following outputs:

- The project completed 52.3 km of roads, consisting of 28.3 km from PCCs, and was procuring another five new priority projects or 24 km of emergency projects. The original target was 100 km.
- The PCCs were partially on track to implement gender-focused investments and was in the process of procuring one 'women-only park' before the project closed. The project was evaluating bids. The project also lined up two similar projects in the procurement pipeline. The original target was 4 women-focused investments. The project did not complete any.

OUTCOMES: The participating PCCs did not achieve the targets of the following outcomes:

- 209,050 urban residents benefited from the project. The project did not report gender-disaggregated data. The original target was 800,000. This was the same outcome indicator used for the first objective.
- The project did not conduct any beneficiary surveys.
- The project did not complete planned municipal service improvements. The project closed before its scheduled completion date (see Section 2 (e) Dates above).



Overall, the outcome of the project to achieve this objective is rated **Modest**. The project achieved planned consultations. Communities agreed on priority catalytic projects to be implemented. The PCCs were on track to complete detailed designs for these priority investments. As a result of the suspension, the project did not achieve its target outcome indicators.

Rating

Modest

OBJECTIVE 2 REVISION 1

Revised Objective

To rehabilitate municipal infrastructure in five participating PCCs.

Revised Rationale

The objective was not changed. The target outcome indicators were changed,

Revised Theory of Change (ToC): The project did not revise the ToC but reduced the target values of the outputs and outcome indicators because of reduced resources that were reallocated to Objective 3 (see below). The project **revised outputs** by reducing the target value of one and dropping another indicator altogether. The project was to finalize the feasibility and design studies for catalytic investment projects by the time of the MTR. The project did not undertake the MTR. The Bank suspended the project after the mid-August 2021 government collapse and closed in August 2022. The ToC **revised outcomes** by reducing the target value of an outcome indicator. The ToC did not change any assumptions.

REVISED OUTPUTS:

- The project completed 24 kilometers of emergency project roads as part of the completed 52.3 km of roads. The project revised the target to 100 km with a midterm target of 20 km. The project did not achieve the target.
- The project dropped the following output - feasibility and design studies for catalytic investment projects. This project first put this output on hold until after the Mid-Term Review (MTR) but because the team did not conduct an MTR, the project dropped this output. The Bank suspended the project after the mid-August 2021 government collapse and then closed by August 2022.

REVISED OUTCOMES: The following targets of the outcome indicators were not achieved:

- The project benefited 209,050 urban residents but did not report gender-disaggregated data. The project revised the target to 650,000 residents.
- The ICR reported that the PCCs were partially on track to implement gender-focused investments. The project did not complete any.

Overall, the efficacy of the project to achieve this revised objective is rated **Negligible**. The project was closed before it could achieve its reduced outcome targets.



Revised Rating

Negligible

OBJECTIVE 3

Objective

To support COVID-19 recovery efforts in the five participating PCCs.

Rationale

Theory of Change (ToC): The project added this objective to assist the government in its response to COVID-19 but limited to the five target PCCs. The project added US\$15 million (SDR 5.45 million and US\$7.5 million from ARTF) to the Relief Effort for Afghan Communities and Households Project (REACH, P177230), a separate World Bank-financed COVID-19 response project. The ToC causally linked inputs and outputs to the outcome. **Outputs** were to be the emergency projects to support COVID-19 pandemic recovery efforts. **Outcomes** were to be the person-days of short-term employment (4-12 months) generated by labor-intensive emergency projects and medium-term employment (12-36 months) generated by the priority projects. The ToC provided the following **assumptions** to increase the likelihood that outcomes were achieved, and accelerate implementation: adopting flexible procurement arrangements, removing entry conditions, and using fixed allocations for each PCC. The ToC added another assumption that cities would recognize conditions as incentives to improve their performance, strengthen their capacity, and enhance ownership.

OUTPUTS:

- The project awarded or was implementing contracts for 76 emergency projects; advertised nine projects; designed and submitted for Bank procurement approval another 64. The project expected that a target of 270 emergency projects would be rolled out. Four of the five cities hired procurement specialists to roll out the work. The project targeted five.

OUTCOMES:

- The PCCs implemented projects that created an estimated 67,112 person-days of temporary employment. 11 completed and six partially completed emergency projects generated these estimates. The project originally targeted one million person-days with a midterm target of 200,000 person-days. The project did not reach either target. The project reported the number of person-days of temporary employment only after a sub-project was completed. The last Quarterly Report (dated March 30, 2021) reported 45,500 person-days for 10 completed emergency projects. The project applied the average number of labor days generated by completed sub-projects to each unfinished sub-projects' progress to estimate additional labor days generated. Hence, the project estimated that one other completed and the six partially completed emergency projects generated 21,612 additional person-days.

Overall, the efficacy of the project to achieve this objective is rated **Negligible**. The project did not reach the overly ambitious target value of the output. The project was closed before the project could be completed as designed.



Rating
Negligible

OVERALL EFFICACY

Rationale

The efficacy of the project to achieve the original objectives is rated **Negligible**. The efficacy of the project to achieve the original first objective is rated Negligible because no outcomes were achieved. The efficacy of the project to achieve the original second objective is rated Modest because some outputs were achieved and approached a certain level of outcome, although the target was unmet. Additional projects were underway but could not be completed before the Taliban takeover of the government. The overall efficacy of the project to achieve its original objectives is rated Negligible.

Overall Efficacy Rating
Negligible

Primary Reason
External shock

OVERALL EFFICACY REVISION 1

Overall Efficacy Revision 1 Rationale

The efficacy of the project to achieve the revised objectives is rated **Negligible**. The efficacy of the project to achieve the revised first objective is rated Negligible because no outcomes were achieved. The efficacy of the project to achieve the revised second objective is rated Negligible because although some outputs were achieved and approached a certain level of outcome, the reduced target outcome indicators were unmet. The efficacy of the project to achieve the added third objective is rated Negligible. The project did not achieve the targets for the estimated person days of short- and medium-term labor created. The overall efficacy of the project to achieve its revised objectives is rated Negligible. The Bank closed the project prematurely because of the Taliban takeover of the government in mid-August 2021.

Overall Efficacy Revision 1 Rating
Negligible

Primary Reason
External shock

5. Efficiency

Economic and Financial Efficiency: The project selected sub-projects and prepared feasibility and cost effectiveness studies. The results framework monitored quantifiable positive externalities (PAD, paragraph 45). However, monetizing benefit streams in an informal market with limited access to verifiable data proved difficult. The Urban Development Support Project (UDSP) was to design and prepare feasibility studies for the pipeline of priority projects. IDLG designed the initial 18 sub-projects.



The project did not conduct economic and financial analyses of the sub-projects at closing. Limited access to verifiable data, and the collapse of the government in mid-August 2021 precluded data collection. The project did not compare economic and financial efficiencies at appraisal and at closing.

Administrative and Operational Efficiency: The project hired a full time Project Director 9 months after the grant became effective. Local communities participated in public consultations to prioritize the investment sub-projects. IDLG identified the initial 18 sub-projects for UDSP to design. UDSP approved the detailed designs of these priority sub-projects two years late because of implementation and procurement delays (see Section 10 Other Issues, Procurement below). The project did not conduct a Mid Term Review. The project completed civil works of a number of priority projects (see Section 4 Efficacy above) and started key institutional improvements with several works and consulting services under procurement. Then, the government fell in mid-August 2021. The Bank suspended the operation and closed the project in August 2022. Donors approved Approach Paper 1.0 to transfer uncommitted ARTF funds to finance humanitarian activities of the World Food Programme (WFP) and the United Nations Children's Fund (UNICEF) (see Dates above). Shortly thereafter, the donors approved Approach Paper 2.0 to finance investments, analytical work, and convening activities to protect the vulnerable, help preserve human capital and key economic and social institutions, reduce the need for future humanitarian assistance, and improve gender equality outcomes. United Nations agencies and international and national non-governmental organizations implemented recipient executed grants, off budget, and outside of the interim Taliban administration (ITA). At closing, the project used 16 percent of the original commitment or 23 percent of reduced available resources. The political and security conditions in the country worsened, priorities revised, incentives for project progress reduced, state institutional capacity weakened. High staff turnover, the lack of clear and time-bound institutional processes, and limited intra-institutional coordination persisted and slowed implementation.

The efficiency of the project was **Negligible**.

Efficiency Rating

Negligible

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		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

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

6. Outcome

A split rating of the outcome is presented below.



Factors	Original	Restructuring 1	Aug 2021
Relevance of Objective	High		
Efficacy			
PDO 1 - to introduce sustainable municipal finance and management systems in nine PCCs.	Negligible		
Revised PDO 1 - to introduce sustainable municipal finance and management systems in five PCCs.		Negligible	Negligible
PDO 2 -To rehabilitate municipal infrastructure in five participating PCCs.	Modest		
Revised PDO 2 - Not revised but outcome indicator revised.		Negligible	Negligible
PDO 3 - Added - Covid-19 response	---	Negligible	Negligible
Efficiency	Negligible		
Overall Efficacy	Negligible	Negligible	Negligible
Outcome	U	U	U
Numerical Value of Outcome	2	2	2
Disbursement (cumulative in US\$ million)	2.6	5.5	8.1
Disbursement (per period covered)	2.6	2.9	2.6
Share of Disbursement (in percent)	32.1	35.8	32.1
Numerical value of outcome x share of disbursement	0.642	0.716	0.642
Weighted Value of Outcome	0.642	0.716	0.642
Final Outcome	2.0 = U		

a. Outcome Rating

Unsatisfactory

7. Risk to Development Outcome

The fragile and conflict affected (FCV) environment in Afghanistan means the following elevated risks for the limited project outcomes.

- **Institutional risks.** This is a **substantial risk**. There is uncertainty what institutions the new government would install. Plans and urban strategies in the pipeline that were to have fostered institutional reform would depend on whether the new government would adopt these or devise new ones. The international community responded to the fall of the government by directly working with development partners to deliver humanitarian services while the interim Taliban stabilizes its government.



- **Political risk.** This is also a **substantial risk**. The political situation remained uncertain about the prospect of following through with the reforms initiated under the project. The state and municipal agencies are expected to weaken because of the uncertain political structure to be adopted and reduced engagement by the international donor community.
- **Security risk.** This is also a **substantial risk**. There remains uncertainty on how the interim Taliban government would address security and access to donor financed activities. According to the ICR, the project passed the design of emergency projects to the Bank-financed Community Resilience and Livelihood Project (CRLP, P178760) to be implemented by the United Nations Office of Project Services between 2022 and 2024.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Bank team designed the project considering its strategic relevance to both the Bank's priorities and the country's own urbanization plans. In addition, the Bank team used the lessons from other similar operations in fragile and conflict affected (FCV) environments and IEG's evaluation of the Bank's urban portfolio to design the project. These lessons included: (i) a simplified design, limited components, and minimizing demands on weak or under-staffed implementing agencies; (ii) limited number of initial participating municipalities; (iii) including high margins for contingency costs in allocating financing due to market uncertainties; (iv) adopting realistic implementation period in the face of ongoing conflict; (v) establishing strong PIUs with adequate autonomy and budgets, outsourcing monitoring functions with performance incentives payments; (vi) continuous inter-agency consultation and consensus-building in decision making; and (vii) fortifying the Bank team in the field (PAD, paragraph 35).

The Bank team assessed the adequacy of the Independent Directorate for Local Governance (IDLG), a national agency created by a 2007 presidential decree, to implement the project. IDLG was simultaneously implementing six ongoing donor-financed programs, including a component of the Citizen's Charter Afghanistan Program (CCAP), another Bank-financed project. This was to maintain continuity, reinforce implementation support with real-time monitoring of procurement, contract management, and improve the quality and timeliness in the delivery of civil works infrastructure. An independent Third-Party Monitoring Agent (TPMA) would provide project monitoring. The Bank team also assessed the technical, economic, and financial aspects, and the applicable environmental and social safeguards of the project (see Section 10 Other Issues below). The team emphasized community participation in setting priorities and monitoring investments. The team highlighted gender inclusiveness by committing targets in the results framework. The Bank team conducted a fiduciary assessment, identified financial and procurement weaknesses. The Bank team mitigated these and procurement risks with time bound capacity strengthening measures, and by financing dedicated procurement positions.

The Bank team designed the project to ensure a level playing field to PCCs. The team identified and used incentives to improve performance. Predictable resources were allocated to PCCs to rehabilitate their infrastructure. The formula used the government's official municipal classification and population size. Design guaranteed lower capacity municipalities access to funding. Design also



expected local governments to plan for larger investments after they gain capacity. The project would then finance future municipal infrastructure investments after PCCs met specific performance criteria.

However, the design was overly ambitious, covered too wide a range of scope and the performance incentives were a mismatch with the capacity of various levels of government (see Supervision below). The identified mitigation measures were not sufficient to overcome the implementation risks brought by a weak state institutional capacity, limited local fiduciary capacity, political uncertainty, growing insurgency, and political violence. Taking the initiative in engaging with the political leadership, enhanced monitoring, financing relevant staff positions, and trainings to build capacity, proved insufficient to address these risks (see Supervision below).

Overall, the Bank performance at entry is rated **Moderately Satisfactory**. Project design was based on lessons learned. The project proved not ready to be implemented because of inadequate implementation risk assessment and insufficient mitigating measures.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank team conducted three Implementation Support Missions, a fourth planned for the end of August 2021, and the last two virtually conducted due to COVID-19. The Task Team Leader was based in Dubai and conducted site visits to Kabul every other week to address implementation challenges. High staff turnover, understaffed, and delayed key operational and procurement decisions characterized the PIU. The Task Team shared weekly 'Pending Action' reports with the PIU.

The complex project design slowed implementation. Afghanistan had weak institutions. Design included fixed allocations that proved to be an insufficient incentive for larger cities. Preconditions for financing that were to serve as incentives for improved performance proved onerous. Weak institutions were unable to implement actions in the prescribed time. The project had limited funds for infrastructure projects. UDSP did not deliver detailed designs on time. This delay slowed the rehabilitation of municipal infrastructure. In another example, municipal staff procured emergency projects at certain threshold levels. However, four of the five PCCs had no mayors for extended periods. The municipalities could not roll out sub-projects as planned. In the end, the project did not implement designs for emergency projects and passed them on to the Afghanistan Community Resilience and Livelihoods Project (CRLP, P178760) for implementation. The CRLP was an emergency operation launched after the Taliban takeover.

The Bank team closely monitored financial management processes, and organized workshops for the PIU. Additional implementation risks were mitigated by a Geo-Enabling method for Monitoring and Supervision (GEMS) and the use of the TPMA (see Section 9, M&E Design, and Implementation below). The Bank team also assigned the Third-Party Monitor to undertake financial management control. (ICR, footnote 19). Procurement processes had shortcomings (see Section 10 Other Issues, Procurement below). The team mitigated procurement risks by financing dedicated procurement positions and the National Procurement Institute conducted relevant training sessions. Significant levels of conflict and violence slowed implementation. International firms had limited interest in bidding for technical assistance because of difficulty in executing institutional activities in unsecured areas. The Bank team could not resolve safeguard



issues because of security concerns in the affected areas. The Bank team could not provide transition to the follow-on project. The Taliban takeover of the government led to the early closing of the project and suspended operations in the country.

Overall, Bank performance at supervision is rated **Moderately Satisfactory**.

Overall, Bank performance is rated **Moderately Satisfactory**. Moderate shortcomings at entry included too wide a scope that proved to be a mismatch to the capacity of the recipient entities, and the performance incentives too restrictive. Bank performance at supervision is also rated Moderately Satisfactory.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The project stated the PDO simply and aimed low - "to introduce" - recognizing capacity constraints. The theory of change documented key activities and outputs that led to the outcomes. The four PDO outcome indicators were more at the level of output or intermediate outcomes rather than at an outcome level. The outcome indicators did not encompass development outcomes that could be attributed to the interventions. The results framework reflected sound, specific, measurable, relevant, and time bound output indicators. These intermediate indicators captured citizen engagement and gender.

The results framework did not capture several outputs that contributed to outcomes, particularly those that were related to capacity building outputs. The MIS team from the Bank-financed Citizen's Charter Afghanistan Project (CCAP) Management Information System (MIS) was to initially assist in developing the project MIS. M&E design included engaging a Third-Party Monitoring Agent (TPMA), with planned bi-weekly videoconferencing with the PIU (ICR, paragraph 67). Consultants were to deliver baselines as part of assessing Afghanistan's two MIS: (i) the Afghanistan Financial Management Information System (AFMIS), used by the Ministry of Finance and Kabul Municipality, and (ii) the Integrated Financial Management Information System (IFMIS), used by several municipalities. The assessment was to result in (i) a recommendation of a system better suited to the municipalities, and (ii) an implementation plan. The M&E design and arrangements were well-embedded institutionally.

b. M&E Implementation

The IDLG Project Implementation Unit assisted by a TPMA implemented the M&E. The TPMA monitored both institutional development and infrastructure components, verifying implementation progress, safeguards compliance, and fiduciary processes. The development of the project MIS was delayed. Workload did not allow the Bank-financed CCAP MIS team to assist in implementing the MIS. The project



later hired a consultant (ICR, footnote 24). IDLG did not ensure attention to effectively implement the M&E design, closed the MIS assessment contract without the recommended appropriate MIS and the plan for its implementation (ICR, footnote 15). Instead, the project used the Geo-Enabling method for Monitoring and Supervision (GEMS) as its MIS. Provincial staff used smartphones to fill out customized digital forms on a weekly basis, captured data related to sub-project progress, and identified implementation issues. The PIU developed a bi-monthly report which interpreted the data, identified problems, and suggested early corrective measures. Five quarterly reports captured progress on the results framework indicators. GEMS collected weekly data streams. The PIU submitted quarterly reports every three months. The TPMA submitted reports bi-annually. The GEMS and TPMA data reported comparable results.

c. M&E Utilization

The project used M&E data from GEMS reports, Quarterly Reports, and TPMA reports to inform project management. The Bank team used this information to follow up on corresponding corrective measures, discuss progress with the government during Bank Implementation Support Missions.

Overall, the quality of M&E is rated **Substantial** because of the many mechanisms were put in place even as there was limited ability to collect data later on. The M&E design and implementation had shortcomings in establishing baselines and providing outcome indicators for capacity building interventions. The M&E system as designed and implemented sufficiently assessed the achievement of the objectives with the links in the results chain of the completed physical investment. The M&E utilization is uncertain at best because of the prevailing circumstances after the Taliban takeover of the government. This and the early closing of the project and suspension of Bank operations in the country overtook the undertaking of the beneficiary surveys.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental and Social (E&S) Safeguards: At appraisal, the team classified the project as Category “B.” The project triggered the following environmental safeguard policies: (i) Environmental Assessment (OP/BP 4.01); and (ii) Physical Cultural Resources (OP/BP 4.11). Environmental and social adverse impacts were associated with civil works. These included land degradation, air pollution, noise generation, land acquisition, health, and safety concerns from civil construction operations. The Environmental and Social Management Framework (ESMF) provided general provisions to mitigate anticipated impacts. Environmental and Social Management Plans (ESMPs) were prepared. Contracts included safeguard management obligations. The onset of the COVID-19 pandemic required the preparation of Environmental and Social Framework/Safeguards Interim Note.

The project triggered the social safeguards on Involuntary Resettlement (OP/BP 4.12) although project design did not involve involuntary land acquisition or resettlement. The TPMA February 2021 report noted



29 complaints of private properties, including commercial properties, that were damaged by road widening in Khost, Kandahar, and Mazar-e-Sharif. Most complaints were related to contractor activities, such as construction delays and payments to sub-project labor (ICR, footnote 30). A Grievance Redress Mechanism (GRM) was in place. GRM used the following six uptake channels: complaint box, grievance email, hotline, WhatsApp contact number, Facebook page, and in-person communication (ICR, paragraph 83 and footnote 26). Signboards were not immediately set up on the premises of all sub-projects. The PIU and the municipalities investigated the complaints, but the PIU did not file reports to provide information on resolving these complaints before the project closed. The PIU did not collect reliable data because the sub-projects were in contested areas. The Bank team suggested resolving these outstanding complaints after the environment stabilizes.

b. Fiduciary Compliance

Financial Management: The project complied with the Bank's financial management policies. The PIU submitted financial and annual external audit reports (ICR, paragraph 90). The Bank accepted the timely submission of Interim Unaudited Financial Reports (IUFRs). After the Taliban takeover of the government in mid-August 2021, the PIU did not submit the last IUFR, the FY 2019, and FY 2020 audit reports. The Bank team assessed internal controls during the conduct of Implementation Support Missions and identified control weaknesses. These included records management, delays in payment processing, liquidation of advances, and low budget utilization. The Bank team reported that the PIU addressed these weaknesses. By June 2021, the TPMA started, but did not complete an internal control assessment because of the Taliban takeover of the government. An outstanding advance of US\$2.06 million remained.

Procurement: There were early delays in procurement, but once underway, the PIU implemented the civil works of priority sub-projects in 6 to 8 months. The project completed 50 percent of the activities in the procurement plan. The Ministry of Urban Development and Land's procurement department delayed evaluation of technical proposals. The National Procurement Agency delayed its approvals. The Ministry of Interior and other bodies were conducting audits of IDLG in 2020. IDLG management became reluctant to approve procurement activities and slowed the implementation of both civil works and institutional activities. Poor coordination between the National Procurement Agency (NPA) and the IDLG, and staffing capacity issues also delayed the project. The selected international design firm could not operate in Afghanistan due to access constraints. There were also delays in procurement of emergency projects due to delayed formation of evaluation committees. Poor coordination and slow IDLG management approval, control weaknesses due to record management, delays in payment processing, liquidation of advances, and low budget utilization delayed the procurement of consulting services. The ICR reported that the PIU resolved these delays. The COVID-19 pandemic also caused significant procurement, disbursement, and hiring delays. To expedite procurement, the Bank team relaxed the qualification criteria for the shopping method, created additional PIU procurement positions, and requested that the National Procurement Authority (NPA) not take over high value projects. Municipalities conducted procurement for selected labor-intensive emergency projects and opened second-generation bank accounts to pay contractors directly for completed works under specific thresholds.

c. Unintended impacts (Positive or Negative)



d. Other

11. Ratings

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

12. Lessons

The ICR presented five lessons and recommendations based on the protracted operations (ICR paragraphs 99 - 103). Two lessons are combined into one, another was not relevant because the design was not implemented, and two others are highlighted below with slight modifications.

- **Designing incentives to allocate resources for performance-based grant systems may consider (i) matching the size, needs, spending patterns, of target municipalities; and (ii) a longer-term engagement.** In this project, the size of the incentives matched the needs of smaller municipalities to be more receptive to undertake meaningful reform in their systems and procedures. Proposing radical changes to existing systems, especially in FCV settings, necessitates gradual introduction of reforms over a longer period. The initial targeting may highlight the services to improve over time by gradually adopting system reforms. The tested improvements could then inform how to expand which system reforms.
- **Deficient performance of precedent activities may negatively affect a programmatic approach.** The team designed this project as a first in a series of two under an umbrella program in an FCV setting. The second project would proceed after the successful delivery of the first set of interventions. Implementation delays, common in FCV settings, would then ripple across the portfolio. Projects in a sector portfolio or those that form a programmatic approach may have common objectives, but their interdependence may require clearly sequenced conditions within reasonable timelines.
- **Task teams may take advantage of an external shock, such as a pandemic, to justify an early restructuring of projects.** In this project, the task team established continuous dialogue with the government to lay out potential restructuring scenarios even before the MTR knowing that FCV settings usually experience frequent restructurings. The task team may use regular Implementation Supervision Missions as opportunities to agree



on scenarios beforehand for restructuring the project. In this case, the team designed a restructuring that responded to the pandemic.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

This ICR was prepared to highlight lessons learned. A government takeover prematurely closed this project. The report highlighted results and lessons from the protracted implementation period. The ICR followed the guidelines and presented a clear description of the project operations including the challenges of the disruptions caused by the pandemic and the Taliban takeover of the government. The rationale behind the split rating of the outcome was logical and convincing. The breakdown of the revised Theory of Change (Annex 7) of the project was helpful. A minor inconsistency was in using a total disbursement of US\$35 rather than the US\$8.1 million from the data sheet to calculate disbursement rates in the split rating of the outcome. This discrepancy did not affect the rating. The report clearly attributed lessons to the operations, for example, establishing a long-term relation at the local level while adopting a gradual approach to reform, and keeping lines of communication open to devise responsive measures to anticipated restructurings. The quality of the ICR is rated **High**.

a. Quality of ICR Rating

High