Report Number: ICRR0022820

1. Project Data

Project ID	Project Name
P161348	Modernizing Afghan State-Owned Banks
Country	**Practice Area(Lead)**
Afghanistan	Finance, Competitiveness and Innovation

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-D2830	28-Mar-2023	7,620,318.77
Bank Approval Date	**Closing Date (Actual)**	
28-Mar-2018	31-May-2021	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	40,000,000.00	0.00
Revised Commitment	9,489,203.65	0.00
Actual	7,620,318.77	0.00

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

a. Objectives

The project development objective was to enhance the corporate governance and operational efficiency of the supported Afghan state-owned banks, thereby contributing to their improved financial soundness and outreach. (Financing Agreement Page 4). The PDO formulation was identical in the PAD.

For the sake of the analysis, the PDO is parsed into two Objectives; 1) to enhance the corporate governance of the supported Afghan state-owned banks; and 2) to enhance the operational efficiency of the supported Afghan state-owned banks.

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

No

c. Will a split evaluation be undertaken?

No

d. Components

The Project had three components:

i) Component 1: Improving MOF's Ownership Role and the Corporate Governance of State Banks. This component aimed to support the MoF and the SOBs to address the governance challenges through technical assistance. This component was to strengthen the MOF's ownership functions of SBs through: (i) establishing a dedicated oversight unit including its relevant policies and procedures; (ii) developing a nomination process for board of supervisors; (iii) building institutional capacity within MOF to exercise ownership functions of state banks; (iv) establishing a reporting and monitoring systems; and (v) developing corporate governance policies, procedures, and guidelines; and (b) to the MOF, DAB, and SBs to strengthen the corporate governance of SBs through, inter alia: (i) implementing recommendations of a comprehensive corporate governance assessment; (ii) developing and implementing internal policies and procedures; (iii) establishing board processes and training.

ii) Component 2: Institutional Development, Business Strategy, and Information Technology of State Banks. This component aimed to support a full-scale re-engineering of almost all the banks' operations, based on a defined mission and business strategy. This component was to

(a) strengthen and modernize SBs through, inter alia: (i) development of a business strategy for each SB; (ii) provision of strategic management support; and (iii) conducting a diagnostic assessment of information technology infrastructure and developing an information technology strategy for SBs;

(b) support institutional development and business model through, inter alia: (i) provision of consulting support for the consolidation of BMA and NKB, including addressing the legal and regulatory aspects of the merger process; and (ii) implementation of the approved business strategy for SBs; and

(c) support modernization of information technology infrastructure and business process of SBs through: (i) upgrading of core banking systems and automation of service delivery mechanisms; (ii) setting up a modem data center; and (iii) capacity building for SB staff responsible for information technology.

iii) Project Implementation and Monitoring. This component was to support the monitoring and coordination of Project activities and to develop a monitoring and evaluation system to assess the implementation progress.

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

This Project was approved by the World Bank's Board on March 28, 2018 with a commitment amount of SDR27.5 million (US$40 million equivalent) and the project became effective on April 10, 2018. At the request of the Afghani government, SDR20,328,158 (73.8 percent) was cancelled in June 2020 to release funds for the emergency response to the COVID-19 pandemic. As of February 28, 2021, the project had disbursed SDR5,428,058.74, or 75.7 percent of the amount available following the cancellation, with the undisbursed balance remaining SDR1,743,786.26. The original closing date was March 28, 2023 and the actual closing date was May 31, 2021, i.e. the project closed 22 months (nearly 2 years) earlier than originally planned.

Since the project experienced substantial implementation delays and over 73 percent of its funds were cancelled in June 2020, on February 28, 2021 the Ministry of Finance officially requested the World Bank to cancel the undisbursed balance and closed the project early through a project restructuring. The request also included a two-month disbursement grace period post-closure. Subsequent engagement with MOF indicated the need to maintain the standard grace period of four months to mitigate the risks related to potential delays.

At approval, the costs for component 1 was $7 million, for component 2 $30 million and for component 3 $3 million. At evaluation only $3.6 million were disbursed in total, and the rest was cancelled as requested by the Government.

3. Relevance of Objectives

Rationale

At appraisal the three State Owned Banks (SOB) in Afghanistan represented about 27 percent of banking assets, 27 percent of deposits and 6 percent of the total loan portfolio in a country where the banking sector was dominated by private banks. Credit to the private sector was very low (less than 4 percent of GDP) as the banking sector was more focused on government securities and credit risk was extremely high. The three SOBs, New Kabul Bank (NKB), Bank Mellie Afghan (BMA) and Pashtany Bank had mainly focused their assets on government securities as the loans represented less than 8 percent of total assets of BMA and zero percent in the other two SOBs. BMA and Pashtany Bank suffered severe equity losses as the result of poorly originated, controlled and recovered credit risks. NKB, was the remnant following the bail-out of depositors in the wake of the collapse of Kabul Bank.

The project design was informed by the Government of Islamic Republic of Afghanistan's vision for the financial sector and the reform of SOBs in particular, as outlined in the long-term strategy for the reform of SOBs which was approved by the High Economic Council. Through strengthening the Ministry of Finance's (MOF) oversight of SOBs and upgrading their operational framework, as well as improving their information technology infrastructure, the project aimed to foster the stability and operational efficiency of the institutions and, thereby, enhance financial intermediation in Afghanistan.

At appraisal, this project was well aligned with Afghanistan's Country Partnership Framework (CPF). The project contributed to Pillar 2 of the FY17-20 Country Partnership Framework to support inclusive growth through a more stable and efficient financial system. It was also aligned with the 2017-21 Afghanistan National Peace and Development Framework
(ANPDF). The Afghanistan Systematic Country Diagnostic stated that improving the banking sector confidence, through enhanced accountability and stronger governance was an essential condition for economic stability and would be critical to boosting job creation and growth. Furthermore, the SCD pointed to the need to exercise effective regulatory and prudential oversight of the overall financial sector, with a focus on enforcement, to help avoid the recurrence of financial crises. In addition, the project design was aligned with the IMF's Extended Credit Facility, in the domain of fiscal and financial reforms and corporate governance to ensure synergies to the reform agenda. The objectives were well aligned with the CPF at closure but because of changes in government priorities, the project was closed early in the implementation period.

While Relevance of Objectives was substantial at the time of appraisal with the PDO well aligned to both Bank and government priorities and strategies, at closure, relevance was diverted in the latter stages of the project due to the substantial change in the Government's priorities and their changing priorities.

While the government originally had been interested in modernizing its State Owned Banks, at closure it became clear that the ownership and commitment of the government to support this project decreased sharply as more than 70 percent of the project was cancelled and resources channeled to other priorities. While the importance of the reforms and changes proposed were still essential to the financial sector in Afghanistan, the diminished government commitment did mean there were moderate shortcomings to the project's relevance. Given this shift, the project's rating for relevance is Substantial.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

Objective 1 was to "enhance the corporate governance of the supported Afghan state-owned banks".

Rationale

Theory of Change:

The original design contained no explicit theory of change as that was not required at the time. The theory of change as outlined in the ICR is clear and convincing and without significant underlying assumptions. Inputs such as financial support and technical assistance were to lead to activities such as the establishment of a dedicated oversight unit including relevant policies and procedures; development of a nomination process for a board of supervisors; building institutional capacity within the MOF to exercise ownership functions of state banks; establishment of an M&E system, development of corporate governance policies, procedures and guidelines; development of internal policies and procedures and establishing board processes and training of board members and staff. These activities were expected to lead to outputs such as the existence of ownership policy for state banks; an ownership unit, supervisory boards for the three state banks, an M&E system and internal policies and procedures. The expected outcomes to be derived from these outputs were the MOF's improved oversight capacity and effective governance of the state banks in line with the OECD Guidelines. This was in turn expected to contribute to longer term impacts such as the state bank's enhanced contribution to a broader access to financial services, improved financial stability and a more efficient financial system.

The project team did preparatory work regarding corporate governance but given the early termination of the project, most of the achievements were mainly at an output level. Most outcomes were either only partly achieved or not achieved.

Outputs

- *Establishment of Ownership Policy for State-Owned Banks (SB).* **Achieved**. The project supported development of the ownership policy which defined the purposes and mandate of state banks and defined MoF's requirements for the corporate governance of SBs, the procedures for appointing the members to the Boards of Supervisors (BOS), and disclosure and reporting requirements.
- *Establishment of Ownership Unit.* **Mostly Achieved**. The project supported establishment of the Ownership Unit at the MOF with dedicated staff, albeit consultants, to cover legal, governance, banking, and business aspects of SB's financial operations in accordance with the Ownership Policy. At closure, the operational ownership unit was partially operational.
- *Strengthening of supervisory boards at each of the three SBs.* **Partly Achieved.** While the project initially supported appointment of five members on the SB's BOS', as required by the Ownership Policy, at project completion only PB was compliant with this requirement. In addition, there was a high turnover of directors with prolonged periods of time between new appointments.
- *Approval of performance contracts for CEOs of the three SBs.* **Partly Achieved**. The project supported the development of performance contracts for the three SB CEOs, including related consultation, which resulting in the signing of the three contracts in January 2020. However, the indicator was the establishment of Supervisory Boards for the three SBs. At closure, there were vacant senior management positions of State Banks.
- *SBs' reporting to the Ownership Unit.* **Partly Achieved.** The project supported the development of the reporting framework aimed at standardizing SB's quarterly reporting. The data provided by the three banks was not always provided consistently and included gaps which limited the analysis of their performance.
- *Development of internal policies and procedures.* **Not Achieved.** With the support of the project, the Ownership Unit has also developed the following policies: i) Compensation and Remuneration Policy for the Supervisory Board Members of the SOBs; ii) Conflict Resolution Policy; and iii) Reporting and Monitoring Framework for SOBs which were important for the governance and oversight of SOBs. However, at project closure, these policies were still pending MOF approval.

Outcomes

It is plausible that the achieved and partly achieved outputs would have the potential to improve the MOF's oversight capacity and effective governance of the state banks. However, given the early termination of the project and cancellation of the majority of the funds committed (as a consequence of the Government's request) although some activities were delivered at an output level, the expected outcomes were not fully achieved.

In addition, due to the lack of capacity in the Ministry of Finance, the overall oversight capacity was not improved.

Rating
Modest

OBJECTIVE 2

Objective
Objective 2 was “to enhance the operational efficiency of the supported Afghan state-owned banks”.

Rationale
Theory of change
The original design contained no explicit theory of change as that was not required at the time. The theory of change as outlined in the ICR is clear and convincing and without significant underlying assumptions. Inputs such as financial support and technical assistance were to lead to activities such as the development of a business strategy for state banks; strategic management support for state banks; assessment of IT infrastructure and development of an IT strategy for state banks; consulting support for legal and regulatory aspects of a merger of the BMA and NKB; upgrade of the core banking system and automation of service delivery mechanisms; and capacity building of state bank IT staff. These activities were expected to lead to outputs such as the existence of a business strategy and a business model for the state banks; modernized state bank institutions in place, completion of the merger between NKB and BMA, and modernized IT infrastructure and business processes of the state banks. The outcomes to derive from these outputs were improved operational efficiency and improved financial soundness of the state banks; enhanced outreach and improved sustainability of the state banks. This was in turn expected to contribute to longer term impacts such as the state bank’s enhanced contribution to a broader access to financial services, improved financial stability and a more efficient financial system.

Achievements regarding enhanced operational efficiency, financial soundness and financial outreach of SBs under Objective 2 of this project were insignificant. There was, however, improvement in certain indicators but those were not related to the activities of this project and they can therefore not be attributed to the project.

Outputs
Building institutional capacity of banks and supporting IT modernization strategy of SBs and immediate IT maintenance was **not achieved.** On the operational efficiency, the re-engineering of SB’s operations based on defined mission and business strategy was not achieved given that neither the strategy for IT modernization nor the SB’s business strategy were developed. These strategies were also linked to disbursement conditions which were not met thus limiting project’s ability to support some of the planned investments.

Institutional development and implementation of business plans was **partly Achieved.** According to the ICR, a *business plan for each State-Owned Bank has been prepared in alignment with the Government Strategic Vision for State-Owned Banks approved by the HEC in December 2017 and has been approved by their respective General Assemblies.*

Modernization of IT Systems and Business Processes of SBs was **not achieved**. The project support in this area was limited to emergency IT infrastructure investments such as renewal of expired licenses, replacement of obsolete equipment (e.g., servers network equipment, NKB's core banking system) which were deemed critical for SB operations and planned during the design stage. The subsequent commencement of merger activity was continuously delayed due to complex political economy issues.

Outcomes
Improved operational efficiency and improved financial soundness of SBs were **not achieved.** The financial soundness indicators showed adequate capital requirements for all three SBs but revealed deterioration in loan portfolio quality for the one SB engaged in lending activities, although largely in line with the overall banking sector trend as a result of COVID-19. The earnings of all three banks remained low with two out of the three SBs experiencing deterioration of the profitability indicators compared to 2016, and liquidity did not change much during the project implementation period but remained high overall. It is worth mentioning that both high CAR and liquidity was largely due to the absence of lending, which is supposed to be the core activity of banks in general. Average adjusted ROE was 9.17% at completion, slightly lower than the 10% expected but higher than the 3.4% baseline. In terms of efficiency (average adjusted operating income margin), it reached 68% at evaluation, slightly higher than the 65% of the baseline but lower than the 77% expected. In terms of SBs meet the central bank's minimum capital requirements it reached 62.34%, lower than 100% expected but higher than the 33% at appraisal. However, the level of ROE, efficiency and capital requirement at evaluation can't be plausibly be attributed to the activities of this project, especially with the early termination of the project.

Enhanced financial outreach or improved sustainability of the state banks were **not achieved.** The project did not facilitate increase in SB's lending activities. Despite a growth in the deposit base, the lending base had decreased. There was only a slight increase in branches network for all three SBs. Both the total number of branches and the number of ATMs seemed inadequate compared to the size of the country. The number of SBs clients served decreased from 2.2 million at appraisal to 1.9 million at evaluation, significantly lower than the 3.2 million expected. In terms of client satisfaction rate (disaggregated by gender) there was no data at evaluation. The same happened with savings in staff time. Increase in the number of Digital Financial Services users in SBs (disaggregated by gender) it reached 7.5%, that was less than half of the 15% expected but higher than the 0 of the baseline.

At closure, the governance of SOBs were not in line with original expectations. Some intermediate outcomes such as improved operational efficiency, financial soundness and sustainability of the SOBs would have needed full and long-term commitment of the government and the willingness to reform the SOEs. Given the changes in the government's priorities and early project closure, those outcomes were not achieved.

Rating
Negligible

OVERALL EFFICACY

Rationale

Overall Efficacy is Modest as the none of the objectives were achieved as the project first faced significant delays and then early closure due to political issues. Most of the project committed funds were cancelled at the Government's request. Some of the expected outputs were achieved or partly achieved, but no significant results at outcome level were reported. According to the ICR the project achieved one (1) out of the four (4) PDO indicators and one (1) out of eight (8) intermediate results indicators based on the most recent results framework's update as of March 31, 2021.

Overall Efficacy Rating	Primary Reason
Modest	Low achievement

5. Efficiency

There was no ERR or FRR calculated by the ICR team. As the project only had a qualitative economic and financial analysis at project design it was not possible to assess the net economic benefits by re-calculating the net present value and economic rate of return.

This was a US$40 million project of which about 73 percent of committed funds were cancelled early as requested by the government. Consequently, most of the planned activities had to be compressed or dropped such that the possibility of reaching the original objectives was very low.

There were several factors that affected the implementation of this project, including the political economy of the reform of state-owned banks. There was high turnover of key counterparts (i.e., four Ministers of Finance), inter-agency coordination, and shifts in government policy all of which were under the government control and which resulted in considerable implementation delays. Political risk and security instability in Afghanistan along with COVID pandemic affected the implementation of this project.

As there was a very early cancellation of most of the funds, the project failed to achieve a return that was higher than the opportunity cost of capital as most outcomes and impacts were not achieved. As a consequence of the early cancellation, the resources and inputs could not be fully converted into results.

Efficiency Rating

Modest

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 ☐ Not Applicable
ICR Estimate	0	0 ☐ Not Applicable

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

6. Outcome

While the project remained substantially relevant to Afghanistan CPF, at closure the relevance was modest due to the change of governmental priorities. Efficacy was rated Modest as project achievements were limited as most of the project activities were not completed mainly due to early project closure. The efficiency was rated modest due to implementation delays and the cancellation of over 70 percent of the originally committed project funds and ultimately an early project closure. Due of the Taliban take-over, there is a high degree of uncertainty regarding the sustainability of accomplishments under the project under the new political regime.

a. Outcome Rating

Unsatisfactory

7. Risk to Development Outcome

As there was a full takeover of the Taliban regime in 2021 in Afghanistan, there is a high risk that the originally expected development outcomes will not be achieved even in the mid-term. There is a high likelihood that the political changes in Afghanistan due to the Taliban takeover will continue to be detrimental to the ultimate achievement of the operation’s development outcome.

The severity of the political risk effect on development outcome is considered to be high while the adaptability of the operation’s design to withstand the change is considered minimal due to the significant change in political environment in Afghanistan in recent years. Uncertainties in terms of political risk and government ownership and commitment faced by this operation are expected to remain in the mid-term.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Project was designed to fit the context and priorities of the country and its financial sector after the banking crisis as a consequence of the failure of Kabul Bank. The government identified the macroeconomic risks derived from the state banks’ poor performance and weak operational structures as main development problems to be addressed, and wanted to mitigate these risks by strengthening the financial sector and enhance financial intermediation. At appraisal, engagement with the three SOEs was appropriate but the plan to address corporate governance and operation efficiency of the banks was highly ambitious and difficult to implement, especially in a fragile context such as Afghanistan.

The project design was based on analytical work and engagement with the government since 2016. The Afghanistan banking sector review assessed the existing legal and regulatory framework for banks in the country and covered various aspects including: i) legal and regulatory framework of banking/financial system, ii) corporate governance framework, iii) risk management in Afghanistan's banking sector and Da Afghanistan Bank (DAB) supervision. The review highlighted the need to deal with the legacy problems associated with the Kabul Bank crisis, including improving corporate governance and enhance risk management of the banks. Some of the recommendations provided by the review, including improving the effectiveness of Banks' risk management systems and establishment of ownership policy for SBs, formed the foundation of the design of the project.

The World Bank team correctly identified political economy and client commitment as the two main risks of projects in countries such as Afghanistan. These risks were not fully mitigated (IEG notes, however, that it would not be possible for the World Bank to mitigate against such changes in government and political environment like the Taliban take-over in Afghanistan), and fully materialized early in the project implementation period resulting in cancellation of funds and early project closure.

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Implementation and supervision teams provided hands-on implementation support, identified bottlenecks in project implementation, and advised the counterparts on strategic and operational issues in a timely manner. Because of the COVID-19 pandemic which disrupted implementation and changes in political support, the Government decided to cancel the majority of project funds, exacerbating delays caused by the political economy constraints.

There was no formal supervision mission resulting in issuance of any Aide Memoires between March 2020 and April 2021. The political situation (several changes on the Government in a short period of time and then the fall of the Government itself) delayed the implementation of the merger. The government's priorities shifted partly due to the pandemic which resulted in cancellation of over 70 percent of project funds. This required a project restructuring, which could not be completed until the technical approach for the merger had been agreed. The project did not have a mid-term review which was originally planned in September 2020, due to the previously mentioned cancellation which took place in June 2020. All the Aide Memoires and ISRs were comprehensive and addressed the key issues, as well as list of activities to be followed up as next steps. Despite the fact that the Bank team could not travel to the country in person following the outbreak of the pandemic, the TTL kept frequent communication with the counterparts virtually, both with the MOF officials and project management team, as well as with the key stakeholders.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

There was no explicit theory of change (ToC) at project design as this was not a requirement at the time of project design. The ICR provided quite a good Theory of Change. The project's results framework identified multiple PDO- and intermediate outcomes indicators and most of them revisions. In addition, some of the indicators did not match some of the long-term outcomes of the project. For example, the operational efficiency of SBs was measured by the system uptime, which was an indicator to measure efficiency of the IT systems rather than the operational efficiency of the SBs. Intermediate indicators were not well aligned with mid-term outcomes as the project aimed to enhance the IT infrastructure but the ultimate objective was to improve the operational efficiency in general, not just the IT system efficiency.

Overall, the project could have benefited from a explicit theory of change that specified the number of planned interventions that lead to desired outcomes, as well as the causal link among the inputs, activities, outputs and outcomes. An incremental results framework where implementation and indicators were built in phases from the outset or with revisions considered during implementation could have been more adequate for these type of complex projects that depend of previous reforms. See Lesson 1. in the Lessons section.

b. M&E Implementation

Although the results framework was regularly updated during the implementation missions, the quality of the reported results was weak. Some of the results reported in the results framework contradicted the information from the Ownership Unit which reported that all SBs had met the minimum capital requirements by DAB. These contradictions may be attributed to misunderstanding of the indicators and/or data quality, overall casting doubt in the reliability of some of the reported information. Achievement of some of the indicators was difficult to interpret and verify by the project team as they were self-reported by SBs.

Parts of the M&E implementation plans were not fully realized due to early project closure. While the project did regularly report on the results framework as reflected in ISRs, the first and only comprehensive SBs performance Report was prepared only in early 2021 (for Q3 2020). Further, a beneficiary mechanism was supposed to be integrated into the project through an indicator on citizen engagement as well as client's satisfaction of services provided by SBs and this did not happen.

c. M&E Utilization

There was no evidence of utilization of monitoring data collected under the project other than for the purpose of project reporting. There was no information on whether the data was relevant to any decisions or resource allocations during project implementation. Further, towards the end of the project an M&E framework was established with the vision to provide quarterly monitoring of these SBs, but this was not implemented due to the political and humanitarian crisis in Afghanistan.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

There is no explicit information in the ICR as to whether any of the Safeguard Policies were triggered by the project, nor is there any information on compliance. However, the information included in the ICR does presume that no policies were triggered.

As the three SOBs had a very small proportion of their assets composed of loans, there were limited environmental or social risks associated. In addition, most of the activities conducted by the project had limited environmental or social risks. There was no disposal of IT equipment and only maintenance work was carried out, which did not have any environmental impact.

As there was no merger of any of the three SOBs, there were no redundancies as initially expected. At project closure, no client survey was conducted because of early termination and the client satisfaction rate was not captured either by the ISR or by the SB performance report conducted by the ownership unit. Implemented project activities focused on structural reforms related to corporate governance, procurement of IT and preparation for the merger, but no activities interfacing directly with SB employees or the wider population were observed given the nature of the project. None of the SOBs adopted the GRM at evaluation. The project developed a conflict resolution policy aimed at institutionalizing complaints handling in each of the three SOBs as part of social safeguards requirements which was not implemented due to early closure.

b. Fiduciary Compliance

Financial Management. The Government's Financial Management capacity was low in terms of reporting, internal control procedures, planning and budgeting. As a consequence of the above, there were delays in completing the agreed Financial Management (FM) actions during the last two years of implementation and the project's FM rating was downgraded. The project was compliant with the financial reporting and had been submitting most of the Interim Unaudited Financial Reports (IUFRs) on time.

The task team made an effort to support the project to address the issues in order to improve fiduciary performance. The audited reports were reviewed on time, and action plans were agreed to implement audit recommendations. All fiduciary issues were tracked through the Bank's Compliance Management System during the last year of implementation. Over the three years of project life, the World Bank conducted three FM supervision reports that were filed in the World Bank's system.

Procurement. Procurement guidelines were followed. The project experienced significant delays in the procurement on key functions from the beginning of the project. Considering cancellation of the majority of project funds, there were no new procurements in 2020 and 2021 with the exception for one procurement activity for the engagement of the consultancy firm in support of the merger of NKB and BMA. In those years due to early cancellation, all other planned procurement activities were either canceled or procured, though some of the payments were still pending for three activities at project closure.

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	Unsatisfactory	Unsatisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	Substantial	

12. Lessons

The following lessons are derived from the ICR with some modifications by IEG:

Lesson 1. Projects supporting corporate restructuring may benefit from a streamlined results framework. When there are high number of PDO- and intermediate outcome indicators, it may be challenging to implement and report on all of them, especially when these depend on other structural reforms. A streamlined and incremental results framework with fewer indicators directly relevant to project interventions focusing on structural reform, may be beneficial.

Lesson 2. Close coordination of international development partners and leveraging of parallel policy reform operations may enhance the success of a project. Also, when doing reforms of SOEs, a close coordination with the IMF may be beneficial in terms of establishing macroeconomic stability and laying foundations for structural reforms, resolution and privatization of SOBs. this could also facilitate coordination of measures to address corruption, to strengthen banking system, and to build a sound and effective financial sector that can facilitate private sector activity.

Lesson 3. Frequent change of counterparts during project implementation and lack of needed political will to reform the politically complex banking sectors may derail the implementation of expected reforms. Even when World Bank teams have high-level political support at preparation stage, political changes and those of leadership at the Ministry of Finance may weaken initial support, especially when there are coordination issues.

Lesson 4. Weak institutional knowledge capacity and retention due to staffing structure may jeopardize the implementation and roll out of expected reforms. If capacity is not built within the civil service (but only through consultants), this may jeopardize institutional capacity building. Once the consultants leave at project closure there could be lack of technical capacity in the Ministry of Finance to sustain M&E or oversight activities after a project is implemented. Once a project is implemented, there has to be clear Ownership by civil servants with the capacity and willingness to continue what was implemented and who can benefit from on-the-job trainings, ensuring a proper handover from the consultants by the end of the project and post implementation

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR document was concise and the quality of analysis and level of evidence was adequate. The ICR was consistent with the guidelines and explained well what happened after the cancellation of the majority of funds committed and why this was the main reason for not achieving expected outcomes and impacts of this project. The ICR was candid about the reasons for cancellation and the lack of achievement of outcomes and impacts. The ICR provided a clear and convincing Theory of Change and had good internal consistency. The lessons were based on evidence.

a. Quality of ICR Rating
Substantial