

## *Afghanistan Reconstruction Trust Fund:*

# External Evaluation

Key Findings, Conclusions, Recommendations



Scanteam/Oslo and Aatie Consulting/Kabul

# Introduction and Background

- ✓ **Evaluation *Objective*: Improve ARTF as funding vehicle**
  - ARTF adaptation to changing circumstances
  - More strategic vision of sector prioritization
  - Support transition from donor to own resources
- ✓ **TOR: Assess by funding window by six criteria:**
  - Efficiency, Effectiveness, Impact, Sustainability, Relevance, Institutional Arrangements
  - Recurrent vs. Investment Windows
- ✓ **Time line:**
  - Jan/Feb: Prep visit, doc review, first round interviews
  - March: Joint field work
  - Second half of April: Complete first draft
  - Final report: Two weeks after final comments received

# Recurrent Cost Window

- ✓ **Recurrent Budget Funding:**
  - SY 1382 USD 215 mill ⇒ SY 1386 USD 290 mill
  - SY 1387-SY 1391: USD 270 mill/year
  - Still "best practice", strengthening PFM, accountability, highly appreciated by all
- ✓ **ANDS, Budget Structure and ARTF Funding:**
  - Operating vs Development budget: unhelpful
  - Program budgeting ⇒ Results focus
- ✓ **Performance Tracking and Monitoring Agent:**
  - Valuable on-site verification role, setting and implementing standards, mentoring/on-the-job training
  - As PFM improves, own revenues up, value-added of MA falls ⇒ define careful hand-over/exit strategy
  - Needs shifting to capacity development, oversight
  - More systemic reviews (Public Expenditure & Financial Accountability – PEFA) rather than transactional controls

# National Rural Access Program

## ✓ Current Situation:

- Commitments USD 52.8 mill – disbursed USD 51.9 mill
- Preferences USD 60.7 mill, paid in USD 39.6 mill
- Interesting participatory bottom-up planning but alignment to central level plans a challenge

## ✓ Main Results to date:

- 33 provinces covered, funds allocated to last one
- 9 800 km roads, 14 airfields constructed/upgraded
- 11 mill labor days generated

## ✓ Findings and Conclusions:

- Planning practices pos - should coord w/ other progs
- Good success in developing local contractor capacities
- Sustainability, resp'y for maintenance unclear
- Who takes over NRAP capacity, at what level, unclear
- RBM: Little focus, knowledge about Outcomes, Impact

# MISFA - Microfinance

## ✓ Current Situation:

- Commitments USD 141.6 mill – disbursed USD 114 mill
- Preferences USD 141.6 mill, all paid in

## ✓ Main Results to date:

- 445 000 clients, USD 426 mill disbursed, average outstanding loan USD 300
- 70% of clients are women, 40% of clients are rural
- Most clients in Center, North, East – equity issue?

## ✓ Findings and Conclusions:

- *Focus:* building financial and admin sustainable small-scale financial institutions: (i) MISFA, MFIs registered as companies, (ii) Rapid "Afghanisation", (iii) Outreach
- While project "MF for Poverty Reduction" only now developing social impact indicators for Impact tracking
- RBM: Little focus, knowledge about Outcomes, Impact

# National Solidarity Program

## ✓ Current Situation:

- Commitments USD 344.1 mill, disbursed USD 240.7 mill
- Preferences USD 372.5 mill
- Still expanding but security hurting growth, coverage, equity ⇒ Dev'ing new approaches to high-risk areas

## ✓ Main Results to date:

- 20 200 CDCs elected, covering 17 mill rural pop
- 35 650 sub-projects approved, 18 000 completed – 17 mill labor days created by the projects
- 318 districts, 28 provincial centers covered by NSP

## ✓ Findings and Conclusions:

- Size of rural pop, # of villages unknown ⇒ Coverage?
- RBM: Little focus, knowledge about Outcomes, Impact
- CDCs future role, sustainability unclear ⇒ Key issue

# Community-based Development

## ✓ Ownership and Accountability:

- CDCs: Accountable upwards or downwards? Policy makers or delivery agents? Who *owns* the CDCs?
- Who *owns* community assets and decides distribution of benefits from them? ? Who maintains them?
- What are sources for financial and technical/political sustainability of local bodies (like CDCs) and assets?

## ✓ Capacity Development:

- Big programs (NSP, NRAP) largely consultancy driven. What is internal capacity development strategy? What are hand-over, exit strategies for external assistance?

## ✓ Trust and National Unity in light of Insecurity:

- Outreach of CBD programs impressive: IPs/FPs running programs nation-wide. If they falter ⇒ ??
- Are we managing risk well enough? "What is plan B?"



# Urban Water Supply & Sanitation

## ✓ Current Situation:

- Commitment USD 41mill, disbursed USD 15.9 mill
- KfW funding EUR 11.5 mill

## ✓ Main Results to date:

- Two year delay, full implementation starting now

## ✓ Findings and Conclusions:

- Legal, practical problems (*external factors*) greater than anticipated (land titles)
- Weak *implementation capacity* caused problems (misprocurement...)
- Insufficient *political leadership* delayed decisions
- Variable *will, capacity* known but chose to go with national systems, processes ⇒ Gov't ownership, institutional progress seen as important ⇒ trade-off with implementation speed

# Civil Service Cap'y Building (LEP/AEP)

## ✓ Current Situation:

- AEP and LEP ongoing, no new contracts (⇒ new MCP)  
USD 13 mill committed – USD 11.6 mill disbursed

## ✓ Main Results to date:

- 96 AEP, 136 LEP staff in 20-odd ministries, agencies in Kabul ⇒ largely able to report on Input provision only

## ✓ Findings and Conclusions:

- Many filled important short-term immediate needs
- Primarily gap-filling not embedded in broader capacity development vision / programs
- Fragmented - problematic recruitment - poor mngt
- Some capacity building - little sustainability - difficult to monitor - little performance reporting
- Corrective action: AEP-LEP merger; MCP

# Capacity Development (CD) Xcutting

## ✓ Current Situation:

- Donors: USD 1.6 billion (est'd) on CD 2002-2007
- Most CD done bilaterally, numerous programs, projects
- CD remains highly donor-driven
- Public Admin Reform and comprehensive CD seen as key
- Govt w/ five "common functions" and now ANDS w/ draft CD strategy

## ✓ Findings and Conclusions:

- PRR exercises and CD in general: uneven results
- Many actors, little coordination, transparency ⇒ fragmented, overlaps ⇒ low efficiency, poor effectiveness
- Focus remains Tech Assistance, project-based training – weak links to larger Ed sector strategy and labor market considerations

# Education Program EQUIP

## ✓ Current Situation:

- Commitment USD 17mill, disbursed USD 3.1 mill
- Other donors now channeling/preferencing EQUIP

## ✓ Main Results to date:

- EQUIP now national program, active in all provinces
- Increase in girls' enrollment, community involvement
- Setting standards (school construction), Edu MIS

## ✓ Findings and Conclusions:

- Because of political leadership, program rolling out fast
- Using EQUIP standards permits bench-marking and better performance monitoring
- Engaging, mobilizing communities, their resources
- Link to CDCs, local governance unclear

# 2005 Review: Follow up I

- ✓ Strengthen role of Govt in ARTF:
  - MOF in MC, DC – active, successful change
- ✓ Improve transparency, info distribution:
  - MC minutes distributed – full openness on decisions
  - Web-site important, good, but needs updating
- ✓ More results reporting, policy contents:
  - PAM providing good macro tracking: recurrent window
  - Project reporting remains activities, outputs
- ✓ Recurrent window: Govt revenues, MA more CD:
  - Govt Revenue efforts: above target (tho some issues)
  - Govt capacity, budget picture different, MA TOR same



# 2005 Review: Follow up II

- ✓ Investment window: (i) focus on public goods, poverty reduction, (ii) reduce transaction costs
  - Do not see discussion (policy), strategy – ARTF as piggy bank (flexibility argument)
- ✓ CD greater focus of ARTF w/ programmatic approach:
  - No strategic approach, coordination of TA w/ exit policy
- ✓ No overarching gender policy (some projects good):
  - Situation same
- ✓ Track donor preferencing for possible problems:
  - Preferencing reached levels that are dysfunctional
- ✓ Range of other specific proposals:
  - Largely overtaken by events



# ARTF in Current Context

- ✓ **Overarching Objective**
  - National unity, peace, stability, reconciliation
  - Shifts in ARTF focus? ⇒ CBD more strategic?
- ✓ **ANDS as vehicle for funding priorities:**
  - Broad political support, though will require further technical improvements ⇒ Gap period till credible
- ✓ **ARTF as vehicle for pooled funding in volatile env't:**
  - ARTF requires stronger *funding policy* attention?
- ✓ **ARTF in light of move to program budgeting:**
  - Should provide strong support, if requested
  - ARTF moves to one-window program support vehicle



# ARTF 2-3 year Transition?

- ✓ Move towards AFG Development Trust Fund (ADTF):
  - USD 800-900 mill annual disbursements to programs
- ✓ Preferencing:
  - Creating cash flow, prioritization problems for ARTF, MOF
  - "Blocking" other donors role, visibility of support to "darlings"
    - (i) 40% donor ceiling, (ii) 80% of foreseen program funds
    - Must find solution to geographic imperatives (security)
- ✓ Transparency, Participation, Trust
  - With ADTF increasing ⇒ Role of WB larger: Administrator – ARTF as top-up to IDA – role of Bank staff in project preps
  - Donor visibility, voice must be addressed
  - Stronger engagement (GBS lessons) ⇒ strengthen insights, mutual understanding ⇒ Trust on performance, accountability
    - MC, DC Shifts ⇒ More contents dialogue, donor voice
    - Relative contributions of donors to activities documented

# Quality Assurance

- ✓ Changing engagement on budgeting, expenditures:
  - Engage strongly in ANDS to make "bankable" as budget
  - Oversight of expenditures to broader "value for money"
  - Shift from direct monitoring to oversight of internal controls: Financial Controllers, Internal Audit
- ✓ Activity (program, project) External Oversight:
  - Research-based knowledge in fast-changing environment
  - Use local knowledge centers for public domain info, learning
  - Independent Outcome, Impact verification, control
- ✓ Working in volatile environment:
  - Conflict sensitivity key – perceived equity, dynamics important
  - Distribution, *Trends* of Resources, Results by key dimensions
- ✓ Quality Costs:
  - Administrator fee may need to be increased
  - "Quality Costs – but you should try Failure!"

# Funding Options for the Future I

- **Strengthening MOF and PFM next 2-3 years:**
  - MOF: Tasked with improving ANDS costing, MTFF realism, program budgeting ⇒ Massive change program
  - MOF with coherent, comprehensive CD strategy
  - MOF to own all TA contracts, bilateral TA phased out
  - ADTF fund (i) support to CD strategy development, (ii) CD strategy implementation
- **Managing Natural Resources Revenue (economic rent):**
  - Natural resource revenue important to budget
  - Potential source of major corruption, distortions
  - Must develop strong accountability *system*: Responsibilities & roles (boundaries), powers, capacities of key actors defined, put in place: Parliament, Att-General, Aud-General, MOF, DAB, technical ministries etc
  - Window of opportunity *before* income streams begin
  - ADTF to fund (i) program design, (ii) implementation

# Funding Options for the Future II

## ➤ Community-based Development:

- Balancing Objectives: Local governance and empowerment - Livelihoods and economic growth – Social development – Stability and security
- ARTF fund (i) support to (realistic) strategy with ready-to-fund projects, (ii) take lead role in mobilizing resources, take on high-risk, innovative components (risk sharing/management)

## ➤ Infrastructure Development:

- Reflect on criteria for prioritization: infrastructure for what and whom – distributional, perceived equity impact
- ADTF providing value-adding QA dimensions not just funding: more careful results tracking
- ADTF infrastructure funding will become considerable: clarity on value-added and comparative advantage