# Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 25-Oct-2018 | Report No: PIDISDSA25522

## BASIC INFORMATION

### A. Basic Project Data

| Country | Project ID | Project Name | Parent Project ID (if any) |
|---|---|---|---|
| Afghanistan | P168274 | Afghanistan: Fiscal Stability Facility | |
| **Region** | **Estimated Appraisal Date** | **Estimated Board Date** | **Practice Area (Lead)** |
| SOUTH ASIA | 17-Oct-2018 | 05-Nov-2018 | Governance |
| **Financing Instrument** | **Borrower(s)** | **Implementing Agency** | |
| Investment Project Financing | Islamic Republic of Afghanistan | Ministry of Finance | |

Proposed Development Objective(s)

To support improved predictability of recurrent expenditure payments of the Government of the Islamic Republic of Afghanistan during the period of political transition.

Components

Support to Core Government Functions

## PROJECT FINANCING DATA (US$, Millions)

### SUMMARY

| | |
|---|---|
| **Total Project Cost** | 100.00 |
| **Total Financing** | 100.00 |
| **of which IBRD/IDA** | 0.00 |
| **Financing Gap** | 0.00 |

### DETAILS

**Non-World Bank Group Financing**

| | |
|---|---|
| Trust Funds | 100.00 |
| Afghanistan Reconstruction Trust Fund | 100.00 |

Environmental Assessment Category

C-Not Required

Decision

The review did authorize the team to appraise and negotiate

## B. Introduction and Context

### Country Context

1. **Afghanistan is a deeply fragile and conflict-affected country, where the security situation remains precarious.** It has been in almost constant conflict for 38 years with no durable political settlement. This has had a destabilizing effect on social cohesion, weakening government institutions and rule of law. Gross domestic product (GDP) per-capita is among the lowest in the world, poverty is deep and widespread, and social indicators are still at very low levels. Over half of the population lives in poverty and roughly one-third is susceptible to dropping below the poverty line. Widespread poverty and limited access to services have contributed to poor living standards for most of the population.

2. **Following a sustained period of development progress after the fall of the Taliban, Afghanistan is currently undergoing a difficult adjustment.** Afghanistan sustained rapid economic growth and improved social indicators for more than a decade following the 2002 political transition. School enrollment increased from 0.8 million to over 8 million and life expectancy from 41 years to 61 years over this period. Annual growth in GDP averaged 9.4 percent between 2003 and 2012. However, economic and social progress slowed following the drawdown of international security forces in 2011 and a contested political transition in 2014.[1] GDP growth fell to 2.3 percent in 2016, recovering only marginally to 2.7 percent in 2017. Afghanistan also faces a growing humanitarian challenge arising from large numbers of returning migrants (more than 2 million since 2015) and a large and growing internally displaced population (1.7 million). Drought conditions are contributing this challenge. Armed conflict in Afghanistan claimed the lives of 26,512 civilians and injured 48,931 others between January 1, 2009 and June 30, 2017.[2] In 2017, civilian casualties reached similar levels to the previous year, with 10,451 civilians killed or wounded (down slightly from the peak of 11,418 in 2016). United Nations Assistance Mission in Afghanistan (UNAMA) reports loss of 1,692 civilian lives during the first 6 months of 2018. The security situation has also led to reversals and increasing disparities in access to services. Recent evidence from household surveys suggests that access to services is declining among the poor.[3]

3. **The economy and public finance relies heavily on foreign aid.** The private sector is extremely underdeveloped, with employment concentrated in low-productivity agriculture. Since 2001, investment has been focused around the aid-driven contract economy. Private sector development is constrained by weak institutions, inadequate infrastructure, widespread corruption,[4] and a difficult business

[1] The number of North Atlantic Treaty Organization (NATO) troops declined from about 130,000 in 2011, to around 15,000 by end-2014.
[2] Afghanistan Protection of Civilians in Armed Conflict Midyear report 2017, United Nations Human Rights *https://unama.unmissions.org/protection-of-civilians-reports*
[3] National Risk and Vulnerability Assessment 2008, Afghanistan Living Conditions Survey (ALCS) 2012 and 2014
[4] Afghanistan was ranked 177th of 180 countries according to the 2017 Corruption Perception Index.

environment.[5] In the absence of a strong domestic private sector, the economy is heavily dependent on foreign grants which reached 37 percent of GDP in 2017. Foreign grants currently finance more than half of budget expenditure and vital off-budget security and service delivery needs. A large trade deficit, at 33.6 percent of GDP in 2017, is also financed almost entirely by aid inflows.

4. **Aid levels are expected to continue to decline, posing significant challenges to the development path and fiscal sustainability.** Foreign grants have significant dropped from 75 percent of GDP in 2012 to 37 percent of GDP in 2017, on account of the drawdown of international security forces. Aid flows are expected to further decline in the future, approximately halving by 2030 (to around 20 percent of GDP). While the projected aid levels remain substantially above the average for low-income countries (around 10 percent of GDP), declining aid would add major challenges to the government in addressing huge development needs while taking on increased responsibilities in the security sector and meeting the maintenance costs of donor-financed assets and infrastructure.

5. **Afghanistan faces substantial risks in the short-term arising from the possibility of political instability and violence in the context of upcoming elections.** Elections of 2014 saw a major and unexplained declines in revenues (from 9.6 percent of GDP in 2013 to 8.5 percent of GDP in 2014), likely driven by increased revenue leakage in the context of election-related political economy pressures. The formation of the National Unity Government saw a disruption in reform progress as political competition came to delay the appointment and confirmation of senior officials. Political instability undermined investment confidence, with negative impacts on growth (which declined from 5.6 percent in 2013 to 1.5 percent in 2015). A similarly disruptive election period could have major negative impacts on revenues, investment, and growth over 2018, 2019, and beyond. Afghanistan's GDP growth for 2018 is projected at 2.3 percent, below the 2017 growth rate, owing to the impact of the drought and the challenges brought about by political uncertainty and deteriorating security conditions.

6. **Upcoming elections pose immediate risks to political and economic environments.** Parliamentary elections are scheduled for October 2018 and Presidential elections scheduled for April 2019. Experience in the aftermath of the 2014 election suggests possible disruptions to reform progress and core government functions. The formation of the National Unity Government saw a disruption in reform progress as political competition disrupted government functions for several years. Prolonged Political instability undermined investment confidence and dampened growth from 5.6 percent in 2013 to 1.5 percent in 2015. Prospects for increasing election-related violence, as accompanied the 2014 presidential elections, present a significant risk for confidence and investment. Disruption to reforms, revenue collection, and expenditure discipline are possible in the context of political instability in the lead-up to and aftermath of elections. On the other hand, recent movements towards a negotiated peace agreement with the Taliban provide some cause for cautious optimism regarding prospects for an improvement in the security situation over coming years.

## Sectoral and Institutional Context

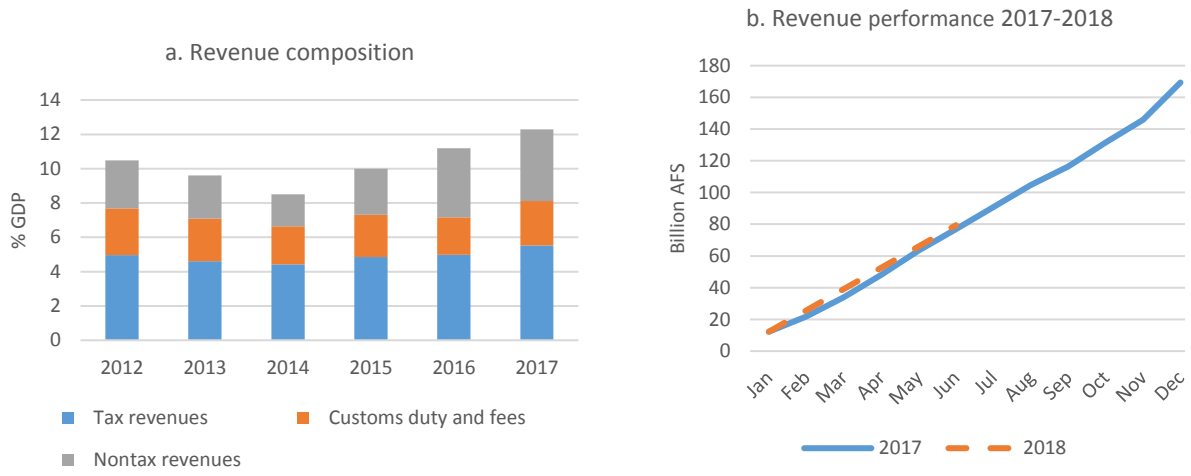
7. **Experience from the previous election period suggests that fiscal management faces significant risks during political transition in the aftermath of elections.** Domestic revenues sharply declined from 11.7 percent of GDP in 2011-12 to 8.5 percent of GDP in 2014, led by a rapid drop in tax and customs

[5] Afghanistan was ranked 183rd of 190 countries in the 2017 Doing Business Survey

revenues collected at border crossings. This decline in revenue may have had multiple causes including: limited control of borders, diversion of revenues, and a reduction of taxable imports relative to GDP. Facing large revenue shortfalls, the government requested international partners for an emergency financial assistance of US$537 million to cover the budget shortfall. With revenue shortage exceeding the size of international financial support, the government had to accrue arrears of US$ 200 million related to salaries, operating expenses, and discretionary development expenditure by the end of the fiscal year. As result, the government's cash balance also dropped to dangerous levels, hovering below AFN 5 billion (about US$ 75 million) during most of the second half of the fiscal year 1393 (2014).

8. **Weak revenue outturn for the first eight months in 2018 signals possible revenue shortfalls in the face of the upcoming elections.** Since the sharp decline in 2014, domestic revenues have been recovering fast for the last three years reaching 12.3 percent of GDP in 2017; a level exceeding the previous peak of 11.7 percent in 2011/12. In 2018, revenue growth has significantly slowed down. Total revenue outturn as of August remained stagnant at the 2016 level and fell 3 percent short of the revenue target (AFN 172 billion) agreed with the IMF, largely driven by weaker performance in provincial revenue collections. Increasing violence in early 2018 and large number of election-related incidents appear to have adversely affected economic activities and business sentiment across nearly all indicators and business types, since the last quarter of 2017.

**Figure 1: Revenue growth has been strong for several years, but is now slowing**




Source: *Ministry of Finance data*

9. **Continued weak revenue performance would put growing pressure on fiscal management.** Even under the assumption of full achievement of the revenue target agreed with the IMF (AFN 172 billion), the overall budget deficit for 2018 is projected to reach 0.4 percent of GDP or AFN 6 billion. Continued weak revenue outturn underperforming the revenue target would further widen the budget deficit. In the absence of debt-financing channel with "high" risk of debt distress under the World Bank-IMF Debt

Sustainability Framework, revenue shortfalls and the budget deficit would result in reduction of government cash reserves. Under the current revenue trend and the discretionary development spending pattern which tends to peek in the last quarter of the fiscal year, the Treasury is expected to be under growing pressure to maintain the cash balance floor of AFN 10 billion[6].

10. **Meanwhile, the ARTF RCW's baseline financing, an unconditional budget support mechanism since 2002, has been closed.** The ARTF have been providing unconditional budget support for reimbursement of recurrent expenditure through the baseline financing facility. The baseline facility had been gradually phased out in 2015-17 from US$ 125 million in 2015 to US$ 75 million in 2017, with the focus of the RCW gradually shifting to policy-based budget support (Incentive Program). In 2018, the baseline financing facility was closed as the ARTF partners and the government agreed to further strengthen the results focus of the ARTF-supported operations and close the unconditional financing facility.

11. **The proposed FSF is designed to support the government in sustaining development progress and maintaining social stability by effectively managing fiscal risks stemming from the upcoming election cycle.** The FSF will reimburse recurrent expenditures upon fulfilment of three withdrawal conditions that are deemed critical to safeguard fiscal stability and core government functions: (i) maintaining minimum level of domestic revenue mobilization (achieving 80% of IMF revenue target for the first 10 months of 2018); (ii) ensuring timely payment of salary and wages to civil servants; and (iii) maintaining government's cash balance at a prudent level—a AFN 10 billion floor agreed with the IMF. The most urgent priority is to support the government's continued efforts to mobilize revenues by addressing the sources of revenue shortfalls that are beyond economic factors. In parallel, the government will closely monitor actual revenue collections to take timely corrective actions. Second, in response to revenue shortfalls, the government need to prioritize expenditures on necessary recurrent expenditures needed to maintain core government functions and the delivery of basic services, and development expenditures with highest development impacts. The FSF will support prioritizing salary payments to ensure that minimum essential government services are delivered despite the difficult fiscal situation. This will also ensure that the government does not accrue salary arrears while maintaining minimum cash balance. In addition, details of accrued expenditure will be collected from five large spending units for better cash planning and avoid accumulation of expenditure arrears. Third, continued revenue mobilization efforts and expenditure prioritization would be reflected into cash balance management at a prudent level.

12. **The FSF will replace the unconditional baseline financing of the ARTF RCW, as a new results-based recurrent expenditure financing facility.** Since 2002, the ATRF RCW has remained the primary vehicle for ARTF donors to finance recurrent civilian expenditures of the government through Incentive Program and the baseline facility. For improved aid effectiveness of the ARTF's recurrent expenditure support, the Bank, ARTF partners and the government agreed to structure the ARTF RCW implementation

[6] The floor of AFN 10 billion is an agreed target of the IMF's three-year Extended Credit Facility of US$ 45 million for Afghanistan that was approved in July 2016.

modalities into two policy and results-based instruments: (i) an Incentive Program Development Policy Grant (IP DPG) as a policy-based budget support program, and (ii) the FSF—a results-based Investment Project Financing. Particularly, the Fiscal Stability Facility, in lieu of the unconditional baseline financing, will allow the government to access the recurrent expenditure financing, only upon fulfilment of withdrawal conditions associated with fiscal stability. Disbursement of the FSF is also expected to provide liquidity buffers to the budget, narrowing the budget deficit and replenishing cash reserves.

**Box 1: ARTF Recurrent Cost Window (RCW)**

The ATRF RCW became effective on May 13, 2002 and provides a coordinated financing mechanism, which has enabled the Government of Islamic Republic of Afghanistan (GoIRA) to make predictable and timely payments for eligible recurrent non-security costs. Since 2002, the ARTF RCW has reimbursed recurrent civilian and capital expenditures of more than US$5 billion to the GoIRA. The ARTF RCW consisted of the following three modalities:

i. **Baseline Recurrent Cost Financing:** In 2002, when the ARTF and the RCW were first established, the only financing modality under the RCW was the provision of baseline support intended to help the government start functioning. The baseline support was provided annually, usually in quarterly tranches, with few conditions attached. Initially this was the only financing modality under ARTF RCW and over the period, the amount allocated to the baseline financing was gradually reduced. In 2017, US$ 75 million were disbursed under baseline financing. The Baseline Financing Facility was closed in 2018. In lieu of the unconditional baseline financing, ARTF partners agreed to introduce the Fiscal Stability Facility to allow the government's access the recurrent expenditure financing, but only upon fulfilment of withdrawal conditions associated with fiscal stability.

ii. **Incentive Program (IP):** the IP was introduced in 2008 as an additional mechanism for budget support under the RCW, to support government reforms through a series of annual incentive payments in exchange for completion of agreed reforms, coupled with a reduction in baseline support over time. Reforms have included the improvement of fiscal sustainability by increasing domestic revenue mobilization and strengthening expenditure management and efficiency. In 2018, IP was designed into Incentive Program Development Policy Grant (IP DPG) that pooled resources from the ARTF (US$210 million) and the IDA (US$90 million), as a single policy-based budget support program under the World Bank and the ARTF. The IP DPG was approved on June 14, 2018.

iii. **Ad Hoc Payments (AHP):** The AHP facility introduced in 2013, allows for ad hoc donor contributions to be channeled through the ARTF. These contributions arise from bilateral agreements between ARTF donors and the GoIRA, to which the Bank as Administrator of the ARTF is not privy.

13. **By supporting stable fiscal management during difficult political transition, this facility will contribute to the Government's strategic vision of the Government to achieve self-reliance is outlined in the 2016 Afghanistan National Peace and Development Framework (ANPDF).** The ANPDF recognizes that a credible national budget and improved government performance is key to translate policy into tangible outcomes. The main instruments for implementation of the strategy are the National Priority

Programs (NPPs) and Fiscal Performance Improvement Plan (FPIP). The FPIP was developed as a five-year rolling roadmap for PFM reform. The first five-year rolling plan was approved in February 2016 with an objective to deliver: (i) more efficient and effective public services; (ii) significantly improved fiscal discipline; and (iii) more strategic use of fiscal policy as a tool for development. To this end, the FPIP targets three key PFM reform areas, including: (i) improving investment performance through strengthened macro-fiscal planning and policy coordination; (ii) ensuring a more accurate, transparent and accountable budget through improving budget preparation and reporting, treasury and procurement functions, and revenue and customs management; (iii) building capacity to manage reforms in the areas of HR, administration, finance, IT and communications.

14. **The FSF is also closely aligned with Bank's new programmatic engagement model to support the government's FPIP reform initiative**. In line with MOF's directive and to support the government's FPIP reform initiative, the Bank introduced a new engagement model ("programmatic approach") in 2017 that consolidates existing activities into three interrelated and complementary instruments. The Fiscal Support Improve Project (FSP), a US$100 million IPF, constitutes the implementation arm of the new engagement model and is intended to provide critical inputs in the form of upfront investments drawn directly from FPIP work plans. The second instrument, the FPIP Advisory Facility, is a programmatic package of Advisory Services and Analytics (ASA). The third instrument is the Incentive Program (IP) DPG, which is the major channel for multi-donor policy-based budget support to the GoIRA, providing approximately US$300 million per year. The FSF will complement the three instruments by supporting effective fiscal management in response to political shocks during the political transition period.

## C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

To support improved predictability of recurrent expenditure payments of the Government of the Islamic Republic of Afghanistan during the period of political transition.

Key Results

- Revenue collection for FY 1397 is at least 95 percent of the revenue target agreed with the IMF during the fourth ECF review.
- The Treasury's average cash balance during the last quarter of FY 1397 is at least 10% above the floor agreed with the IMF during fourth ECF review.
- The Treasury makes salary payments within 10 days of submission of the monthly claims by the line ministries.

## D. Project Description

15. **The project has one component, "Support to Core Government Functions (US$100 million)", which contributes to predictability of payments, credibility of the revenue budget, and continuity of core government operations during the time of political transition.** Essentially, the component will

contribute to improved predictability of the recurrent expenditure payments by financing civilian recurrent expenditure. During the period of political transition and uncertain economic environment, any delays in recurrent expenditure payments could potentially disrupt delivery of essential services, thereby causing social unrest. The disbursements, up to the allocated amount, will be made upon fulfillment of all three withdrawal conditions and the verification of sufficient recurrent expenditures by the Independent Monitoring Agent.

16. **The project would support the government to effectively monitor the implementation of total budget, with particular focus on the non-security recurrent expenditures, and manage fiscal risks.** Multiple technical discussions were held with the MOF to agree on the requisite key efforts to improve budget and fiscal risks management. The MOF, on a monthly basis, would consistently monitor the domestic revenue collection, according to sources of revenue and province, so as to allow for timely corrective actions and subsequent adjustments. The positive impact of adopting an intensive revenue monitoring and corrective action arrangement may, to a certain extent, offset the decrease in revenue collection due to the slower economic activity during the political transition. The MOF would continue to maintain cash balances above the threshold of AFN 10 billion, so as to be availed a comfortable cash buffer that can help to cater to fiscal shocks. To this end, the MOF will seek to prioritize civil servants' salary payments that would ensure delivery of minimum essential services during transition. Prioritizing salary payments and maintaining minimum cash balance would also ensure that the government neither accrues arrears to maintain the cash balance, nor diverts funds to discretionary recurrent and development expenditure during the elections. Additionally, the MOF will conduct a survey of five largest spending ministries to ascertain the amount of expenditure arrears which would help avoid a situation, similar to 2014, that witnessed an accumulation of expenditure arrears of more than US$200 million. The above measures are consistent with the discussions held with the IMF during the fourth ECF review.

17. **To ascertain the government's commitment and efforts to improve budget and fiscal risk management, the following three withdrawal conditions were agreed with the MOF for fulfillment upon project effectiveness:**

a. Actual revenue collected is at least 80 percent of the revenue target for the fiscal year 1397 (2018) agreed with the IMF during the fourth ECF review.
b. Average Treasury cash balance during August 10 to November 10, 2018 is not less than the floor agreed with the IMF during fourth ECF review.
c. There are no civil servant's salary claims pending with the Treasury for more than 10 working days.

18. **The domestic revenue target for 1397 was set at AFN 172 billion, considering the economic and political environment during the recently concluded fourth IMF ECF review.** A deteriorating security situation accompanied with the upcoming election period could impact revenue collections - with tax and customs revenues collected at border crossings particularly at risk during periods of transition. Revenue performance for the first eight months of the year indicates that the total actual domestic revenue would fall short of the target. Considering the underlying factors, a withdrawal condition of 80 percent revenue collection (AFN 137.6 billion) by November 10 has been agreed with the MOF.

19. **Though the cash balance remains above the threshold of AFN 10 billion, the year-end payments may put the Treasury under pressure to maintain the floor.** In 1396, the revenue collection surpassed targets and the cash position was comfortable for most of the fiscal year; the average cash balance was just above the floor during last two months of the fiscal year due to year-end bunching of payments. Given the country's underdeveloped domestic debt market and no access to international commercial debt markets, it is critical for GoIRA to maintain a minimum level of cash balance as a predicable source of financing its daily, particularly non-discretionary cash needs for sustaining government operations. By requiring the government to maintain a prudent cash buffer, anchored in the IMF's indicative treasury cash balance target, the proposed withdrawal condition aims to support the government in close monitoring of its cash balance situation and implement prompt and timely expenditure adjustments.

20. **Prioritizing salary payments during a period of fiscal distress is critical to ensure delivery of essential government services and preserve the core functions of the government.** Disruption to civil servant salaries could also undermine social stability during political transition. The withdrawal condition that requires timely payment of salaries aims to ensure that the government focuses on preserving the core government functions: through timely payment of salaries against potential shocks to budgeted expenditure. Furthermore, the condition ensures that the government does not accrue salary expenditure arrears while maintaining its targeted cash balance.

21. **The project reinforces the use of technology for timely salary payments to the civil servants.** Ministry of Education in collaboration with Ministry of Communication and Information Technology has initiated mobile payment of salaries for 119,000 teachers in Kabul. This use of digital technology, through electronic transfer—which has begun to improve the timeliness of salary payments—will be further reinforced as improved fiscal space will accrued through the proposed project to allow government to facilitate and further expand in such endeavor. As a bi-product of timely payment of salaries, the expanded use of digital technology for salary payments will reduce the incidence of fraud and corruption.

22. **Although, in the absence of detailed record keeping on commitments, there is a general presumption that there are no expenditure arrears, the MOF has yet to carry out surveys to support this position.** During the last fiscal years, no survey has been carried out to determine the stock of expenditure payment arrears for wages and salaries or those relating to use of goods and services. Thus, the actual stock of arrears has not been ascertained; there is a risk that arrears are being 'concealed' by budgetary units as failure to record commitments can impact the quantum of reported arrears accruing from commitments that have translated into obligations at each reporting period. Hence, the MOF will carry out a survey of the five largest spending ministries to determine the amount of expenditure arrears to help minimize this risk. The data collected would be an input to cash planning and for designing a system to regularly monitor expenditure arrears in the absence of full transition to commitment control under the AFMIS. The ministries to be surveyed include: Ministry of Education, Ministry of Public Works, Ministry of Rural Rehabilitation and Development, Ministry of Agriculture and Livestock and Independent Directorate of Local Governments.

23. **Eligible Expenditure:** The eligible expenditure to be financed by FSF will be the civil servants' salaries and allowances related expenditures. These expenditures are clearly identifiable, according to their budget classification/chart of accounts, in the government budget and the AFMIS. The relevant economic/object codes of the eligible expenditure as per the GoIRA budget classification/chart of accounts are as follows:

| Major Code | Sub-Major Code | Minor Code | Description |
|---|---|---|---|
| 21 | | | Compensation of Employees (Wages and Salaries Expenditure)[7] |
| | 210 | | Wages and Salaries Expenditure |
| | | 211 | Wages and Salaries in Cash |
| | | 212 | Wages and Salaries in Kind |
| | | 214 | Social Benefits - in cash |

24. **The Monitoring Agent (MA) will verify expenditures to ensure that funds are disbursed for the intended purposes.** The verification process would entail monitoring compliance with fiduciary benchmarks as agreed between the Ministry of Finance and the ARTF Management Committee for processing payroll and payments—including timely payroll preparation, payment verification, payment processing, check encashment and adequacy of the payroll processing controls. The MA will screen government withdrawal applications and relevant documentation to ensure consistency between expenditures submitted for reimbursement, the Grant Agreement and related eligibility criteria.

## Institutional and Implementation Arrangements

25. **The Ministry of Finance (MOF) is the implementing entity and has extensive experience in implementing IDA and ARTF Projects.** The Treasury Department of MOF, under the overall guidance of the Deputy Minister Finance, will be primarily responsible for implementing FSF. The Treasury Department is conversant with Bank policies for grantees and the fiduciary requirements.

26. **The oversight committee comprising MOF's Directors General of Macro Fiscal Policy, Treasury and Revenue would collectively review the progress and certify fulfillment of disbursement conditions.** The committee will meet fortnightly to review the revenue collection, cash position and forecast, expenditure arrears, and timely payments of salaries. The committee will also review and validate the evidence regarding fulfillment of all three withdrawal conditions ahead of submission to the World Bank.

27. **An Independent Third-Party Monitoring Agent (MA**) that is already in place will continue to verify eligible expenditures and review the withdrawal applications. The MA will be responsible for the review

[7] These relate to functions of government other than security services

of personnel and payroll, expenditure review and other fiduciary compliance. The eligible expenditure will consist of specific line items within the government's budget – principally, compensation of employees. Adequate arrangements have been factored in the terms of reference of the MA to ensure only eligible expenditures are reimbursed under the project.

### F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

NA

### G. Environmental and Social Safeguards Specialists on the Team

Shankar Narayanan, Social Specialist
Obaidullah Hidayat, Environmental Specialist

## SAFEGUARD POLICIES THAT MIGHT APPLY

| Safeguard Policies | Triggered? | Explanation (Optional) |
|---|---|---|
| Environmental Assessment OP/BP 4.01 | No | |
| Performance Standards for Private Sector Activities OP/BP 4.03 | No | |
| Natural Habitats OP/BP 4.04 | No | |
| Forests OP/BP 4.36 | No | |
| Pest Management OP 4.09 | No | |
| Physical Cultural Resources OP/BP 4.11 | No | |
| Indigenous Peoples OP/BP 4.10 | No | |
| Involuntary Resettlement OP/BP 4.12 | No | |
| Safety of Dams OP/BP 4.37 | No | |
| Projects on International Waterways OP/BP 7.50 | No | |
| Projects in Disputed Areas OP/BP 7.60 | No | |

## KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

### A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:
NA

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
NA

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
N.A.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.
Not Applicable.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
NA

### B. Disclosure Requirements

### C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

**The World Bank Policy on Disclosure of Information**

Have relevant safeguard policies documents been sent to the World Bank for disclosure?
NA
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?
NA

**All Safeguard Policies**

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?
NA

Have costs related to safeguard policy measures been included in the project cost?
NA

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?
NA

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?
NA

## CONTACT POINT

### World Bank

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### Borrower/Client/Recipient

Islamic Republic of Afghanistan

### Implementing Agencies

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## APPROVAL

| | |
|---|---|
| Task Team Leader(s): | Syed Waseem Abbas Kazmi<br>Muhammad Wali Ahmadzai |

### Approved By

| | | |
|---|---|---|
| Safeguards Advisor: | | |
| Practice Manager/Manager: | Ismaila B. Ceesay | 20-Oct-2018 |
| Country Director: | Abdoulaye Seck | 26-Oct-2018 |