Ex post evaluation report

<table>
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<tr>
<th>OECD sector</th>
<th>51010 Support for Afghanistan Reconstruction Trust Fund (ARTF) projects IV - VI</th>
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| BMZ project ID | (a) 2004 66 425 (ARTF IV)  
(b) 2005 65 820 (ARTF V)  
(c) 2006 65 463 (ARTF VI) |
| Project executing agency | Afghanistan Reconstruction Trust Fund |
| Consultant | -- |
| Year of ex post evaluation | 2010 (2010 random sample) |

<table>
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<tr>
<th>Project appraisal (planned)</th>
<th>Ex post evaluation (actual)</th>
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<tbody>
<tr>
<td>Start of implementation</td>
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(a) 12/2005  
(b) 12/2006  
(c) 12/2007 |  
7/2006  
3/2007  
12/2007 |
| Period of implementation | One year for each phase |
| Investment costs |  
(a) EUR 858.0 million  
(b) EUR 454.0 million  
(c) EUR 635.0 million |  
(a) EUR 858.0 million  
(b) EUR 454.0 million  
(c) EUR 635.0 million |
| Counterpart contribution | (a) to (c) - |
| Financing, of which FC funds |  
(a) EUR 15.0 million  
(b) EUR 20.0 million  
(c) EUR 20.0 million |  
(a) EUR 15.0 million  
(b) EUR 20.0 million  
(c) EUR 20.0 million |
| Other institutions/donors involved | World Bank, EU, UN and a further 30 countries |

Performance rating  
- Relevance 2  
- Effectiveness 2  
- Efficiency 2  
- Overarching developmental impact 3  
- Sustainability 2

Brief description, overall objective and programme objectives with indicators

The Afghanistan Reconstruction Trust Fund (ARTF) is a multi-donor fund administered in trust by the World Bank to support reconstruction in Afghanistan. As at July 2010, approximately USD 3.7 billion has been deposited with the fund since its formation in 2002. Germany has been a supporter of the ARTF from its inception. Initial payments (for tranches I-III) were made through multilateral routes; thereafter (from ARTF IV on),
support was provided through bilateral FC funds. This ex post evaluation considers tranches IV to VI.

Funds deposited with the reconstruction fund are disbursed through two windows: the Recurrent Cost Window, which is used to finance the running costs of public services in Afghanistan, and the Investment Window, which is used to finance investment and development projects. Donors may designate a certain proportion of monies paid into the fund for particular investment activities, provided they give an undertaking to observe programme priorities. Because the monies paid into the fund in this way are allocated for specific purposes within the Afghan national budget, this type of financial cooperation comes close to sectoral budgetary support.

The overall objective of the ARTF projects was (1) to contribute to conflict prevention and the stabilisation of the Afghan state, and (2) to reduce poverty. At the programme level, objectives were (1) to maintain the functional capability of public services in Afghanistan, and thereby maintain the provision of basic social services at the low level prevailing at that time, and (2) to support the implementation of the Afghan Government's developmental priorities. It should be noted that, because of its 'emergency relief' nature, the project has only limited ambitions with regard to sustainability. The target group comprises government employees, who are paid out of the reconstruction fund and are therefore directly affected, and, secondly, the total population of Afghanistan, who, as recipients of government services and users of public infrastructure, are affected indirectly.

Determining attainment against the overall objective has been complicated by three factors. Firstly, because of the relative brevity of the period under consideration, the defined indicators only reflect project outcomes to a limited extent (e.g. literacy rates, a component of the Human Development Index). Secondly, due to the high level of political risk, there are significant external influences which may interfere with the projects' contribution to their overall objectives. Thirdly, assessing attainment against the overall objective has been made difficult by the quality of the information available (e.g. Millennium Development Goal indicators), due to data collection being incomplete, out-of-date and / or having only just been started. Programme appraisal envisaged that progress towards the overall objectives would be based on considerations of plausibility, without the support of separate overall objective indicators. For this ex post evaluation, the following proxy indicators were set to measure the ARTF’s impact directly at the overall objective level:

1. A reduction in the number of attacks by armed resistance groups, such as the Taliban (overall objective 1; 2006 benchmark: 2,334 attacks).
2. A reduction in the perceived threat to the community (overall objective 1; 2007 benchmark: 87.3 % do not feel threatened, 3.6 % feel seriously threatened).
3. An improvement in the Afghan Human Development Index (overall objective 2; 2005 benchmark: 0.347).
4. An increase in Afghan pro-capita income (overall objective 2; 2005 benchmark: USD 834).

At the programme objective level, the range of indicators was expanded during ex post evaluation to include outputs and outcomes, since the indicators previously defined focused predominantly on inputs. To measure the functional capability of public finance management in Afghanistan, this meant that:

1. After the 2005/06 fiscal year, the ratio of state revenue to operating budget should not decline (2005/06 benchmark: 64.6%);
2. National anti-corruption legislation should be enacted, and appropriate monitoring systems established;

3. Annual financial statements and audit reports should be laid before Parliament as per schedule (in the July and September respectively of the following year); and

4. Public Expenditure and Financial Accountability (PEFA) assessments should be undertaken by the World Bank, and these should not reflect any deterioration in public financial management.

With regard to basic social service provision, this means that:

5. Gross enrolment rates should not decline from their level in the 2005/06 financial year (2005/06 benchmark: 61 %);

6. The number of out-patient visits per person per year should not decline from their level in the 2005/06 financial year (2005/06 benchmark: 0.35 visits per person per year); and

7. The DPT3 vaccination rate (three vaccinations against diphtheria, whooping cough and tetanus) in infants aged 12 to 23 months should, at the least, remain stable (2005/06 benchmark: 16.7 %).

The indicator applicable to programme objective 2 now states:

8. Any investment projects for which ARTF funds were allocated or disbursed in the financial years from 2005/06 to 2007/08 should accord with the National Development Strategy.

**Project design / major deviations from original planning and their main causes**

**Recurrent Cost Window:** Through the Recurrent Cost Window, the ARTF finances the salaries of public service employees as well as current expenditure for operation and maintenance. Between 2005/06 and 2009/10, annual financing varied from USD 221 million to USD 310 million. Salaries represented between 67 % and 89 % of disbursements. In view of the Afghan budgetary deficit and the region's unstable security situation, it is understood that there is no alternative to financing the running costs of public service, which only serves to underline the importance of these measures. However, the ARTF's financing contribution is gradually shifting toward the Investment Window.

**Investment Window:** Since the fund was founded, investment projects financed by the ARTF amount to more than USD 1 billion, and thereby represent 35 % of total ARTF financing (2009/10 financial year: 53 %). These investment projects focus on agriculture and rural development. Based on the fund administrator's reports, 93 % of these investment projects (weighted by fund volumes committed) emerge as at least reasonably satisfactory. The problems most frequently encountered during implementation, again weighted by fund volumes committed, were the critical security situation (85 %) along with delayed payments and / or other financing problems (66 %).

Providing ARTF finance through these two windows is appropriate for the challenges faced in Afghanistan. There are no signs that this type of programme-oriented community funding is having a *crowding out* effect, and thereby adversely affecting either budget discipline or the generation of government revenues; nor did the selective evaluation of the ARTF carried out in 2008 find any indication of this. The Recurrent Cost Window and Investment Window projects financed by the ARTF have been configured appropriately and proportionately.
Key results of the impact analysis and performance rating

In the most significant investment projects, the main objective has been participatory development combined with good governance; however, this has not been crucial to the reconstruction fund's financing activities. Similarly, the promotion of gender equality is a secondary objective within the National Solidarity Programme, and in other investment measures that have been financed. ARTF projects have, in addition, contributed indirectly to the wider fight against poverty, at both the macro and sector levels. The transaction model used - payments through the ARTF - is similar to basket financing. In terms of environmental impact, there have been no indications of any negative effects, neither in the investment component, nor in the component for financing administrative running costs.

Overall, the reconstruction fund's effects present a mixed picture. Most notably, positive developments include those areas where outcomes matched programme objectives: (i) school enrolment rates, (ii) standards of health and (iii) the development of public finance. They also include impacts: (iv) income generation, (v) poverty reduction, (vi) political participation and (vii) the promotion of gender equality. Some negative changes were evident, particularly in (viii) the level of corruption and (ix) the security situation. On the basis of the documents and expert reports available, the extent of causation between the ARTF's outputs and their impact - for the ARTF as a whole - could not be calculated. However, indicators such as, for example, data from the 'Performance Assessment Matrix' (which includes criteria and indicators to measure performance improvements), together with the scope and durability of the measures implemented, point to a causal relationship between ARTF activities and the effects numbered (i) to (vi) above. On the other hand, it cannot be determined whether the ARTF contributed to the negative changes at (viii) and (ix). On the contrary, all the available indicators suggest that, in the projects initiated, the greatest possible efforts were made - at least with regard to corruption - to stem the problem within the channels of the ARTF reconstruction fund, as far as the security situation permitted. We have reached the overall conclusion that the stabilising effects have outweighed those effects which intensified conflict, and that the ARTF measures have counteracted any negative changes.

Relevance: The concept that was chosen for the ARTF - a fund for the stabilisation and reconstruction of Afghanistan, administered in trust - was appropriate considering the conditions prevailing at the time of programme appraisal (i.e. the critical status of development, extensive war damage, the ongoing conflict, widespread corruption, the inadequate development of the public finance sector, together with a marked budgetary deficit), and was, for the most part, oriented toward BMZ guidelines on budget aid. Furthermore, the causal chains which underpinned these projects were logically sound. However the Investment Window causal chain, with its focus on the National Solidarity Programme, was somewhat limiting; moreover, individual investment activities, implemented with community involvement, are better suited for the generation of income and employment, the reduction of poverty, and for contributing to improved standards of health and education. The submission of investment proposals and the development of the ARTF financing strategy by the Finance Ministry helped to ensure that the investment projects implemented accorded in principle with Afghan developmental priorities. On the other hand, donor preferences, together with the fund's partially parallel implementation structure, somewhat diminished Afghan ownership in this regard. We assess the overall relevance of projects ARTF IV to ARTF VI as good (rating: 2).
Effectiveness: These projects aimed (1) to maintain the functionality of public services in Afghanistan, and thereby also ensure the ongoing provision of basic social services at (as a minimum) their low initial level, and (2) to support the implementation of Afghan developmental priorities. Applying the programme objective indicators (which were revised during ex post evaluation) has confirmed that, taking everything into consideration, programme objectives were achieved. Looking at the effectiveness of individual sub-projects in both the Recurrent Cost and Investment Windows, a similar 'satisfactory to good' picture emerges. Of particular note here is the support given to reform efforts (the ARTF Incentive Programme) and the investments made in the area of rural development. Furthermore, by the payment of salaries, and through the extensive range of financing measures provided, the projects overall can be deemed to have reached their direct and indirect target groups, although a few areas with particularly high security risks have profited disproportionately from these measures. We have assessed the overall effectiveness of these three tranches as good (rating: 2).

Efficiency: The design of the project suited its objectives. In view of the prevailing conditions, an alternative concept such as, for example, a standard budget aid format, was not practical.

The efficiency with which funds were disbursed, using a reimbursement system, has been assessed - after some initial weaknesses - as good. In the Investment Window, the greatest obstacle to efficiency was the prioritisation by donors of fund utilisation. Although this has been the driver of growth in donor contributions over recent years, any choice to be made between political visibility and the efficient allocation of funds (with increased ownership) should, in our opinion, favour the latter. With regard to the reliability of donor payments into the ARTF, a positive trend has emerged in the past (after some initial difficulties, which also include the FC contributions); this will probably continue into the future, through supporting measures (the ARTF Incentive Programme and Financing Strategy).

Reconstruction fund administration charges are considered reasonable. In addition, ARTF transaction costs are set to reduce over the long term. However, since this is a supplementary instrument of donor aid in Afghanistan, donors and partner countries should still expect an increase in transaction costs (in absolute terms), at least in the medium term.

Taken altogether, we assess the allocative efficiency of the funds deployed - despite the deficits from prioritisation - as good. This is based on (a) the achievement of programme objectives by means of ARTF financing activities, including extensive support for Afghan developmental priorities; (b) reaching the direct and indirect target groups, as well as the active use of the projects' outputs, as verified by various experts; and (c) the acceptable level of administration charges, linked with the fund's configuration as a fund administered in trust, with reducing transaction charges. Despite some sporadic weaknesses, the funds paid into the ARTF were, on the whole, efficiently deployed; any expansion of this financing is, however, dependent on the Afghan administration's future capacity to absorb such funding. We therefore assess the efficiency of these projects as good (rating: 2).

Overarching developmental impact: At the overall objective level, the projects pursued twin goals: (1) to help stabilise the Afghan state; and (2) to contribute to the reduction of poverty. Supplementary overall objective indicators, oriented towards welfare and security, were defined in the course of ex post evaluation; these show that the programme objectives were fulfilled, and that the causal chain logic contributed to the fulfilment of the overall objectives. However, analysis of the overall objective indicators
shows that this contribution was not clear-cut. Due to the influence of external factors, negative trends set in, particularly with regard to the security situation. The effectiveness of the ARTF approach has been somewhat limited by the precarious security situation. Furthermore, development cooperation measures in conflict prevention and stabilisation require a certain minimum level of security, and a comprehensive conceptual examination of the structural causes of conflict. No significant unintended negative effects were observed. Taken as a whole, we have therefore awarded a 'satisfactory' score for overarching developmental impact (rating: 3).

**Sustainability:** Programme appraisal of the three ARTF financing tranches (ARTF IV-VI) recorded that the projects had a 'strong element of emergency relief', with 'no ambitions regarding sustainability'. In the financing of public service running costs under the Recurrent Cost Window any commitment to sustainability as an objective within stabilisation and poverty reduction cannot exceed the time horizon in which payments are made (i.e. a financial year). Under these circumstances, a good level of sustainability can be recorded for the Recurrent Cost Window. In the Investment Window, an evaluation benchmark can similarly be applied to the stabilisation objective. This is oriented toward a shorter time horizon, since, in view of the ongoing conflict in the country, lasting stabilisation through ARTF investment measures can only be designed for the short term. Only the poverty reduction objective in the Investment Window satisfies, at least in part, a higher standard of sustainability. Moreover, in view of the political risks in Afghanistan, even this would not meet the standard that would be applied in ex post evaluations of FC projects where the inspection process has not been restricted. Taking the totality of investment measures into account, the majority of the projects demonstrate a 'satisfactory to good' level of sustainability. Having given due consideration to the conceptual design of the ARTF, the objectives of these projects, and the circumstances prevailing, we have assessed the overall sustainability as good (rating: 2)

**Overall assessment:** Having considered all the foregoing risks and effects, we have arrived at an overall evaluation of the project's developmental impact as good (rating: 2). This assessment is based on those documents and reports on the ARTF (encompassing all donors) which are available to us.

**General conclusions and recommendations**

The financing of multi-donor trust funds should conform to the principles of programme-based community funding. Accordingly, in order to avoid any misallocation, and in contrast to the practice followed at the ARTF, funds should be deposited on the basis of an agreed framework of use (i.e. without prioritisation). The perceived reduction in political visibility can be addressed by more intensive political dialogue and through supplementary programmes (e.g. in capacity building), which will have additional positive effects on allocative efficiency. Furthermore, the principles of donor harmonisation should also be pursued more vigorously in the evaluation context; for example, in order to ensure that adequate information, based on transparent methodologies, is available for the preparation of reports - which are often to be submitted bi-laterally - minimum standards of on-site monitoring and evaluation should be agreed on a cross-donor basis.
Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being relevance, effectiveness (outcome), “overarching developmental impact” and efficiency. The ratings are also used to arrive at a final assessment of a project’s overall developmental efficacy. The scale is as follows:

1. Very good rating that clearly exceeds expectations
2. Good rating fully in line with expectations and without any significant shortcomings
3. Satisfactory rating – project falls short of expectations but the positive results dominate
4. Unsatisfactory rating – significantly below expectations, with negative results dominating despite discernible positive results
5. Clearly inadequate rating – despite some positive partial results the negative results clearly dominate
6. The project has no positive results or the situation has actually deteriorated

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates a project which has no sufficiently positive results.

**Sustainability** is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability)

The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected.)

Sustainability level 3 (satisfactory sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability)

The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. A rating of 1 to 3 indicates a “successful” project while a rating of 4 to 6 indicates an “unsuccessful” project. In using (with a project-specific weighting) the five key factors to form an overall rating, it should be noted that a project can generally only be considered developmentally “successful” if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are considered at least “satisfactory” (rating 3).