

**INTEGRATED SAFEGUARDS DATA SHEET
ADDITIONAL FINANCING**

Report No.: ISDSA15961

Date ISDS Prepared/Updated: 10-Dec-2015

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Afghanistan	Project ID:	P150632
		Parent Project ID:	P120427
Project Name:	Second Public Financial Management Reform Project (PFMRP II) - Additional Financing (P150632)		
Parent Project Name:	Public Financial Management Reform II (P120427)		
Task Team Leader(s):	Paul Welton		
Estimated Appraisal Date:	25-Nov-2015	Estimated Board Date:	15-Jan-2016
Managing Unit:	GGO24	Lending Instrument:	Investment Project Financing
Sector(s):	Public administration- Financial Sector (100%)		
Theme(s):	Public expenditure, financial management and procurement (95%), Other public sector governance (5%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	42.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
Afghanistan Reconstruction Trust Fund			42.00
Total			42.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

2. Project Development Objective(s)

A. Original Project Development Objectives – Parent

The proposed PDO is to strengthen public financial management through effective procurement, treasury and audit structures and systems in line with sound financial management standards of monitoring, reporting and control.

B. Proposed Project Development Objectives – Additional Financing (AF)

To further strengthen the efficiency and effectiveness of Afghanistan's procurement, treasury, and audit systems.

3. Project Description

An original ARTF grant amount of US\$73 million was approved for the Second Public Financial Management Reforms Project (PFMR II) on June 14, 2011, and the project became effective on August 9, 2011. The current project closing date is December 31, 2015. The project was developed to support Government's effort to implement its Public Financial Management (PFM) strategy, following its commitment to a set of PFM reforms, geared towards ensuring: (i) efficiency, transparency and accountability in the use of public resources; (ii) increase in aid absorption capacity and securing on-budget donor aid; and (iii) improved development outcomes. The PFMRP II was developed to support Government to implement this strategy.

The Ministry of Finance (MOF), which is also the implementing agency for PFMRP II, requested for Additional Financing (AF) and extension of the closing date of PFMRP II. The PFMR II is due to close on 31 December 2015, at a critical time when Government is trying to develop its new PFM Strategy and implement key reforms to lay the foundation for future developments of PFM in Afghanistan. As part of the Bank's ongoing dialogue with Government on PFM, the Government had requested the Bank to develop a new project (PFMR III) to help support the implementation of key aspects of the new PFM Strategy. This would leave a gap in the Bank's support for PFM in Afghanistan and possibly lead to a loss of momentum on key results achieved under PFMR II. The AF would help to scale up some of the results achieved under the PFMR II and also ensure that some new critical activities can be incorporated into the project. It will also act as a bridge to ensure sustained support for PFM in the interim period before the proposed new project (PFMR III) becomes effective. Based on the Bank's assessment, an additional financing of US\$ 39.975 million and an extension of the closing date to June 30, 2017 are required. The AF-PFMR II has five components which include: 1) Procurement Reform, 2) Financial Management Reform, 3) Audit Reform and Performance, 4) Reform Management, and 5) Revenue Mobilization. The description and objectives of each of these components are summarized below:

Component 1: Procurement Reform: This component will support the National Procurement Authority (NPA), which was created through a Presidential Decree in 2015. The Procurement Policy Unit (PPU), Special Procurement Committee (SPC) and the Afghanistan Reconstruction and Development Services (ARDS) have been merged into the NPA. The NPA is based in the Administrative Office of the President (AOP). The main activities of this component include:

- Capacity building in Line Ministries and Provinces
- Institutional support and sustainable development of public procurement

Component 2: Financial Management Reform: This component aims to support high level PFM performance and build the staff and institutional PFM capacity. The main activities include:

- Treasury operations and systems development
- Human resources capacity development
- Professional accountants organization development
- Line Ministry PFM assessment

Component 3: Audit and Reform Performance: this component focuses on institutional reforms in internal audit and capacity building to improve management oversight. The main activities include:

- Internal audit capacity development
- Internal audit institutional development
- Internal audit information technology development
- Direct audit support – grant audits
- Direct audit support – line Ministries
- Policy advice to the Auditor General and coordination
- Training support
- Infrastructure support (IT center, databases and officer furnishing)
- Public account committee strengthening
- Preparatory activities for future audit reforms

Component 4: Reform Management: this component focuses on reform within the MoF. Its main activities include;

- Strengthening Monitoring and Evaluation
- Strengthening of MoF Human Resource Management Department
- Project management
- Other institutional strengthening and capacity building activities

Component 5: Revenue Mobilization: this is a newly added component to the AF-PFMR II, which is the top priority of the new PFM road map. The Government is committed to ambitious targets for tax collections. Therefore, additional support is needed to achieve these targets. The main activities of this component include:

- Maintenance of computerized tax system (SIGTAS)
- The implementation of initiatives such as risk based compliance
- Preparing for VAT
- Establishing the new organizational structure

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project location is the MoF and its provincial branches. The project is designed to provide technical assistance, capacity building and institutional building services. There will be no construction work and/or land acquisition during the course of the AF-PFMR II project. Therefore, none of the World Bank's safeguards policies are triggered by the AF-PFMR II project. The project interventions will be consistent with the Government's and World Bank's safeguards policies and guidelines.

5. Environmental and Social Safeguards Specialists

Mohammad Arif Rasuli (GENDR)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	No	There will be no construction work and/or land acquisition activities during the course of the project. Also, the project does not envisage any activity that can possibly lead to trigger any safeguards policy after the completion of the Additional Financing project.
Natural Habitats OP/BP 4.04	No	This policy is not triggered; because none of the project's components engages in any work that has direct or indirect relationship with Natural Habitats.
Forests OP/BP 4.36	No	The project activities do not impact forests in any way, as defined by the policy.
Pest Management OP 4.09	No	The project will neither finance pesticides nor will they be used in the project.
Physical Cultural Resources OP/BP 4.11	No	The Additional Financing does not support any work that would trigger this policy.
Indigenous Peoples OP/BP 4.10	No	This policy is not triggered as there are no Indigenous Peoples that meet the criteria of OP/BP 4.10 within the project area that could potentially benefit or be adversely affected by the Project's activities.
Involuntary Resettlement OP/BP 4.12	No	No involuntary land acquisition is expected during the Additional Financing.
Safety of Dams OP/BP 4.37	No	The project does not have any activity involving dams.
Projects on International Waterways OP/BP 7.50	No	The project does not involve any activity that will affect international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The project does not involve any activity in any known disputed area.

II. 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:
No environmental and social impacts are envisaged under any component of the AF-PFMR II project. The project solely provides technical assistance, capacity building and institutional reform services.
2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:
None
3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.
Not applicable
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.
Although no safeguards policy of the Bank is being triggered, it is necessary to apply relevant Citizen Engagement tools such as the Grievance Redress Mechanism, during the implementation of the Additional Financing project. Therefore, the borrower shall introduce a Social Safeguards Focal Point, from the existent staff within the project, for the implementation of the required Citizen Engagement activities and coordination with the Bank’s Social Safeguards Team. It is essential that the safeguards focal person get sufficient training on Citizen Engagement tools and its application.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The main stakeholders are MoF, the line Ministries and the private sector (i.e. Professional Accountants Organizations). Since the Additional Financing involves a number of capacity building, institutional building and reform activities, the client shall apply rigorous processes during the implementation to ensure all eligible beneficiaries are included and have the opportunity to benefit from the project activities. Besides, there is a need for having procedures to receive and process complaints pertaining to any project activities. As a result, the client needs to develop a GRM, in accordance with the Citizen Engagement Strategy of the Bank. Also, the client, in consultation with the Safeguards Team of the Bank, may apply other citizen engagement tools. GRM: Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level GRMs or the Bank’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and the Bank management has been given an opportunity to respond. Information on how to submit complaints to the Bank’s corporate GRS are available at http://www.worldbank.org/GRS . Information on how to submit complaints to the Bank Inspection Panel are available at www.inspectionpanel.org .

B. Disclosure Requirements

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.
If in-country disclosure of any of the above documents is not expected, please explain why:
not applicable

C. Compliance Monitoring Indicators at the Corporate Level

The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
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?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
All Safeguard Policies	

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

III. APPROVALS

Task Team Leader(s):	Name: Paul Welton	
<i>Approved By</i>		
Safeguards Advisor:	Name: Zia Al Jalaly (SA)	Date: 10-Dec-2015
Practice Manager/ Manager:	Name: Fily Sissoko (PMGR)	Date: 11-Dec-2015