



Modernizing Afghan State-Owned Banks Project (P161348)

SOUTH ASIA | Afghanistan | Finance, Competitiveness and Innovation Global Practice |
IBRD/IDA | Investment Project Financing | FY 2018 | Seq No: 1 | ARCHIVED on 25-Jul-2018 | ISR33419 |

Implementing Agencies: ISLAMIC REPUBLIC OF AFGHANISTAN, Ministry of Finance

Key Dates

Key Project Dates

Bank Approval Date:28-Mar-2018

Effectiveness Date:10-Apr-2018

Planned Mid Term Review Date:01-May-2020

Actual Mid-Term Review Date:--

Original Closing Date:28-Mar-2023

Revised Closing Date:28-Mar-2023

Project Development Objectives

Project Development Objective (from Project Appraisal Document)

The proposed project development objective is to enhance the corporate governance and operational efficiency of the supported Afghan state-owned banks, thereby contributing to their improved financial soundness and outreach.

Has the Project Development Objective been changed since Board Approval of the Project Objective?

No

Components

Name

Component 1: Improving MOF's Ownership Role and the Corporate Governance of SBs:(Cost \$7.00 M)

Component 2: Institutional Development, Business Strategy, and Information Technology of SBs:(Cost \$30.00 M)

Component 3: Project Implementation and Monitoring:(Cost \$3.00 M)

Overall Ratings

Name	Previous Rating	Current Rating
Progress towards achievement of PDO	--	● Satisfactory
Overall Implementation Progress (IP)	--	● Satisfactory
Overall Risk Rating	--	● Substantial

Implementation Status and Key Decisions



The team worked closely MoF to get the project to enter effectiveness. This was finalized and project entered effectiveness on April 10th 2018. An implementation support mission is scheduled July (14th-22nd) 2018 to finalize with MoF and state banks the steps for procurement of immediate needs for equipment and maintenance including critical licenses. The ToRs for banking and corporate governance resident advisers should be also finalized and advertised to kick start implementation as planned.

Risks

Systematic Operations Risk-rating Tool

Risk Category	Rating at Approval	Previous Rating	Current Rating
Political and Governance	● High	--	● High
Macroeconomic	● High	--	● High
Sector Strategies and Policies	● Substantial	--	● Substantial
Technical Design of Project or Program	● Substantial	--	● Substantial
Institutional Capacity for Implementation and Sustainability	● Substantial	--	● Substantial
Fiduciary	● Substantial	--	● Substantial
Environment and Social	● Low	--	● Low
Stakeholders	● Substantial	--	● Substantial
Other	--	--	--
Overall	● Substantial	--	● Substantial

Results

Project Development Objective Indicators

► Effective Governance of SBs in line with key OECD guidelines (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Non-compliant	--	Non-compliant	Fully compliant with key chapters
Date	31-Dec-2017	--	13-Jul-2018	28-Mar-2023

► Improved operational efficiency of SBs (Measured by System uptime) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
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Value	90.00	--	90.00	99.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

► Improved Financial Soundness of SBs (SBs meet the central bank's minimum capital requirements) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	33.00	--	33.00	100.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

► Increased outreach of SBs (measured by number of SBs clients served) (Number (Thousand), Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	2,206.00	--	2,330.00	3,200.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

▲ Of which percentage of female clients (Percentage, Custom Supplement)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	9.00	--	8.00	15.00

Overall Comments

The operational efficiency and outreach of SBs remain in line with the baseline and indicating deteriorating efficiency and limited outreach.

Intermediate Results Indicators



► Improved oversight capacity of MoF as per OECD Guidelines (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	None	--	none	Fully operational ownership unit
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

► Improved efficiency (Measured by average adjusted Operating Income Margin) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	65.00	--	65.00	77.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

Comments

based on the most recent annual audited financial statements FY 2017

► Percentage point increase in SB client satisfaction rate (disaggregated by gender) over baseline survey (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	15.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

Comments

discussion for baseline survey and data collection are underway during July (14th-22nd) 2018 ISM.



► Increase in the number of Digital Financial Services users in SBs (disaggregated by gender) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	15.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

Comments

no remarkable increase is observed in this indicator since the baseline.

► Improved Soundness of SBs (Measured by average adjusted ROE) (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	3.40	--	3.40	10.00
Date	30-Jun-2017	--	13-Jul-2018	28-Mar-2023

Comments

based on the most recent annual audited financials FY 2017

► Savings in Staff time (Percentage, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	0.00	--	0.00	50.00
Date	30-Jun-2017	--	--	28-Mar-2023

Comments

discussions on data collection will take place during the ISM dated (July 14th-22nd) 2018



► All senior management functions have been filled and performance contracts in place for CEOs (Text, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	Vacancies in senior management functions of SBs. No Performance contract in place.	--	Vacancies in senior management functions of SBs. No Performance contract in place.	All senior management functions are filled in SBs; Performance management contracts in place for CEOs.
Date	31-Jan-2018	--	13-Jul-2018	28-Mar-2023

Comments

no improvement on this front of corporate governance has taken place.

► Improved credit risk management policies (Yes/No, Custom)

	Baseline	Actual (Previous)	Actual (Current)	End Target
Value	N	--	N	Y
Date	31-Dec-2017	--	13-Jul-2018	23-Mar-2023

Overall Comments

This is expected to improve once the relevant expertise and international banking advisers are appointed. The procurement is underway and positions are expected to be announced by end of July 2018.

Data on Financial Performance

Disbursements (by loan)

Project	Loan/Credit/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	Disbursed
P161348	IDA-D2830	Effective	USD	40.00	40.00	0.00	0.00	38.76	0%

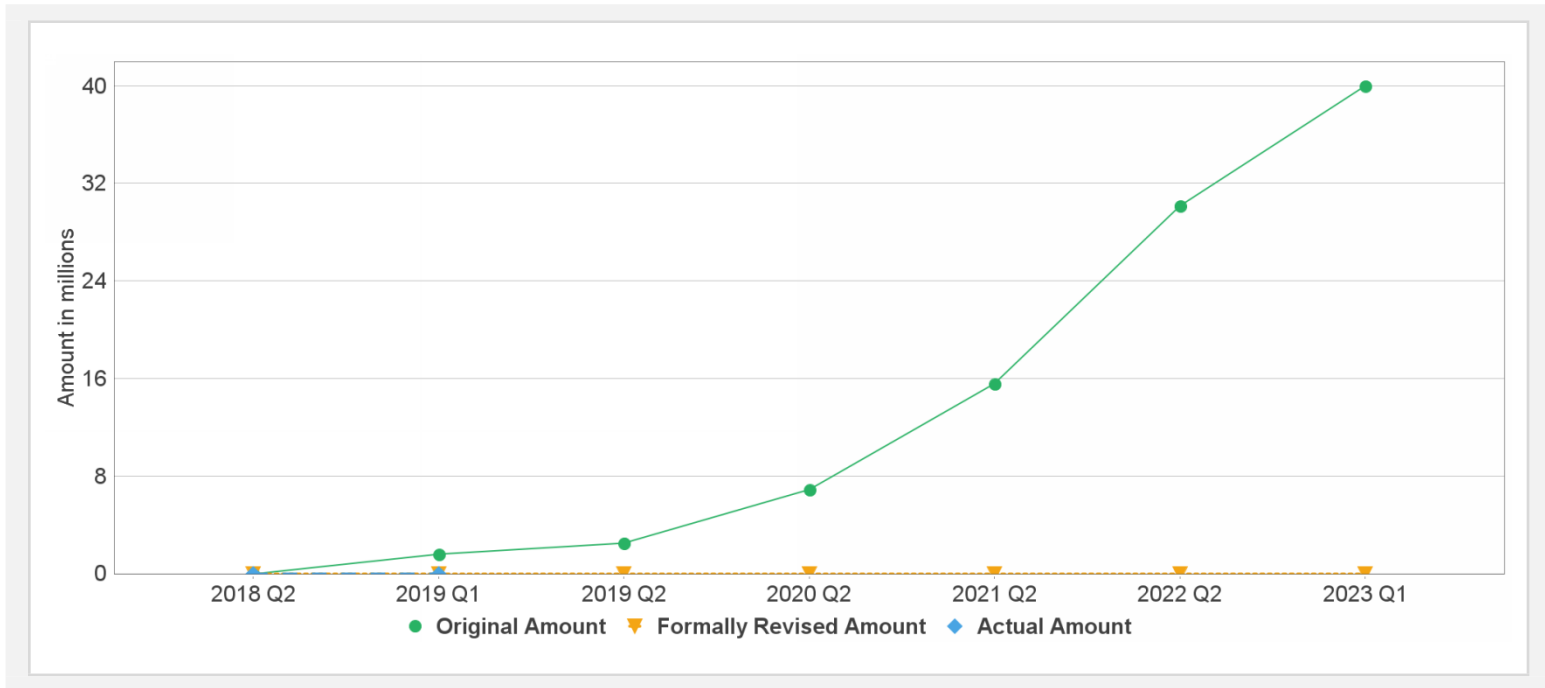
Key Dates (by loan)

Project	Loan/Credit/TF	Status	Approval Date	Signing Date	Effectiveness Date	Orig. Closing Date	Rev. Closing Date
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P161348	IDA-D2830	Effective	28-Mar-2018	10-Apr-2018	10-Apr-2018	28-Mar-2023	28-Mar-2023
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Cumulative Disbursements



Restructuring History

There has been no restructuring to date.

Related Project(s)

There are no related projects.