

PROGRAM INFORMATION DOCUMENT (PID)
DECISION STAGE

April 27, 2018
Report No.: 127166

Operation Name	Incentive Program Development Policy Grant
Region	South Asia
Country	Islamic Republic of Afghanistan
Sector	Central government administration (100%)
Operation ID	P164882
Lending Instrument	Development Policy Grant
Borrower(s)	GOVERNMENT OF AFGHANISTAN
Implementing Agency	Ministry of Finance
Date PID Prepared	March 27, 2018
Estimated Date of Appraisal	May 12, 2018
Estimated Date of Board Approval	June 14, 2018
Corporate Review Decision	Following the corporate review, the decision was taken to proceed with the preparation of the operation.

I. Key development issues and rationale for Bank involvement

In the context of an active insurgency and difficult macroeconomic environment, the Government of the Islamic Republic of Afghanistan continues to maintain a stable macroeconomic environment and pursue an ambitious program of policy reforms to support private sector investment, growth, poverty reduction, and improved public financial management.

Resources provided through the proposed operation will help the GoIRA meet its development objectives as articulated in the new Afghanistan National Peace and Development Framework (ANPDF) in the context of constrained tax revenues and declining aid. Policy reforms supported by the proposed operation will contribute directly to priorities of the ANPDF, and are aligned with National Priority Programs.

II. Proposed Objective(s)

The proposed operation supports a range of reforms under two pillars that are closely aligned with the Government's objectives: i) strengthening the policy framework to support state effectiveness, private investment, and social inclusion; and ii) improving the policy and institutional framework for public financial management. Reforms under the first pillar are intended to support development of e-payments and mobile money, civil service reforms, business environment reform, power sector reform, land titling, and water productivity. Reforms under the second pillar are intended to support an improved public investment management system, improved tax administration, and improved accountability of public finances.

III. Preliminary Description

Strengthening the policy framework to support state-effectiveness, private investment, and social inclusion: E-payments and mobile money reforms will support development of the regulatory framework for expanded access, beginning with systems for e-payment of customs and tax dues. Civil service reforms will support retention of key skills and address long-standing issues of equity, while also encouraging the hiring of women civil servants. Business environment reforms will address insolvency procedures, encouraging investment. Power sector reforms will improve the financial sustainability of the power utility, ultimately leading to lower prices for consumers. Land reforms will provide land rights to informal occupants of state-owned urban land. The Irrigation Policy and Dryland Agriculture Policy will encourage sustainable use and management of water resources.

Improving the policy and institutional framework for public financial management: Reforms to public investment management will ensure that projects are aligned with government priorities and have undergone proper appraisal. Tax administration reforms will support the roll-out of fast track filing. Expenditure management reforms will improve the allocative and technical efficiency of Operations and Maintenance expenditures.

IV. Poverty and Social Impacts and Environment Aspects

Assessment of the policy and institutional reforms supported by operation suggest significant positive or neutral poverty and social effects over the longer-term. Over time, improvements in the legal and institutional frameworks guiding irrigation and drylands agriculture are likely to ensure more efficient utilization of scarce water resources, benefiting agricultural productivity with flow-on impacts to rural livelihoods via increased production and lower prices for basic food items. Improved management of water resources will shield farmers from negative water-related shocks, including those arising from the impacts of climate change. Several policy actions supported by the proposed series of operations are expected to have indirect positive poverty impacts through facilitating investment and private sector development. Business environment reforms, energy sector reforms, and land reforms should support economic growth and employment, with poverty benefits. Reforms to improve the effectiveness, efficiency, and accountability of government are likely to have indirect positive poverty effects. Civil service reforms supported by the operation do not involve any retrenchments. Reforms are expected to lead to improved efficiency and effectiveness in government operations, with resulting improvements in revenue mobilization and service delivery ultimately expected to support improved service delivery, benefiting all citizens. Issuance of property documents to the informal occupants of state-owned urban land will benefit the vulnerable returnee and internally displaced population, providing security of tenure and facilitation access to services and economic participation. Women's land rights will be recognized through the issuance of property documents, increasing the proportion of women with formal land ownership.

Policy and institutional reform actions supported by this operation will not have significant effects on the environment, forests, or other natural resources. Supported land reforms may have minor potential positive and negative environmental impacts. Better security of land tenure under supported administrative reforms for land is expected to facilitate investment and development, including of agricultural land. Increased land use for agriculture and other purposes may lead to pollution and pressure on water resources, depending on the scale and type of new investment. But

at the same time, security of property rights may increase incentives for sustainable land management on behalf of land owners in some cases. The Irrigation Policy and Drylands Agriculture Policy are likely to have positive environmental impacts, including in mitigating the impacts of climate change. Reforms under the operation would provide the GoIRA with an underpinning policy and legal framework to broadly commit to more efficient use of water resources, formulate a comprehensive investment program to furnish infrastructure, and establish climate resilient agriculture practices.

V. Tentative financing

Source:	(\$m.)
BORROWER/RECIPIENT	0.00
IDA Grant	90.00
Borrower/Recipient	
IBRD	
ARTF	210.00
Total	300.00

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