AFGHANISTAN EDUCATION SECTOR PROGRAM IMPLEMENTATION GRANT ALLOCATION: REPORT FROM THE GRANTS AND PERFORMANCE COMMITTEE

For Decision

Please note: Board papers are deliberative in nature and, in accordance with the GPE Transparency Policy, are not public documents until the Board has considered them. It is understood that constituencies will circulate Board documents among their members prior to Board consideration for consultation purposes.

1. STRATEGIC PURPOSE

1.1. The purpose of this paper is to request the Board to approve an allocation for an education sector program implementation grant (ESPIG) to Afghanistan, as recommended by the Grants and Performance Committee (GPC) following its discussion of the grant application during its October 10-12, 2018 meeting.

2. RECOMMENDED DECISION

2.1 The Grants and Performance Committee recommends the Board approve the following decision:

BOD/2018/11-XX—Approval of Allocation for an Education Sector Program Implementation Grant to Afghanistan: The Board of Directors with respect to the application submitted in the third funding round of 2018:

1. Notes compliance with the requirements for accessing the fixed part of the maximum country allocation, as described in the application and summarized and assessed in Annex 2 to BOD/2018/10 DOC 01.

2. Notes compliance with the incentives for accessing the variable part of the maximum country allocation and approves the indicators on Equity, Efficiency, and Learning and their means of verification, as described in the application and assessed in Annex 2 to BOD/2018/10 DOC 01.

3. Approves an allocation from GPE trust funds for an Education Sector Program Implementation Grant (ESPIG), as described in the application submitted and summarized in Table 1 in BOD/2018/11-XX 3 (c), subject to:

   a. Availability of funds.
b. Board decision BOD/2012/11-04 on commitment of trust funds for ESPIGs in annual installments.
c. GPC recommendations for funding include (all amounts in US$):

Table 1 Application Summary and GPC Allocation Recommendations for an ESPIG in US$:

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<td>Afghanistan</td>
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<tr>
<td>a.</td>
<td>Maximum Country Allocation</td>
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<td>b.</td>
<td>Allocation Requested (100%)</td>
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<td>c.</td>
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<td>Allocation Recommended by GPC</td>
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<td>f.</td>
<td>Grant Agent</td>
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<td>Agency Fee % - Amount</td>
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<td>h.</td>
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<td>i.</td>
<td>Expected Start Date</td>
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<td>Variable Part Disbursement Modality</td>
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<td>k.</td>
<td>Funding Source</td>
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4. Requests the Trustee to withhold the transfer of funds until the conditions set out in Annex 1 to BOD/2018/10 DOC 01 have been met.

5. Requests the Secretariat to:
   a. Include in its notification of grant approval to Afghanistan the conditions, requests for report-back, and observations on the program as recommended by the GPC and set out in Annex 1 to BOD/2018/10 DOC 01.
   b. Include an update on the issues listed as “conditions” and “report back” in the annual Portfolio Review in accordance with the specified timeline.

3. BACKGROUND

3.1 The Committee had reviewed and recommended for Board approval a grant application from Afghanistan in the first funding round of 2018 which was subsequently withdrawn by the grant agent during the Affirmative Vote procedure. The reason for the withdrawal included a last-minute request from the government for a change in the financing modality of the main component of the Education Quality Reform in Afghanistan Project co-financed by GPE, Afghanistan Reconstruction Fund (ARTF) and IDA. That change necessitated revisions in the project design and a revised proposal.

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1 Includes US$ 2,000,000 for the cost of the grant agent to perform its roles and responsibilities (formerly supervision fees). Per decision BOD/2015/10-02 supervision fees are funded from the maximum country allocation effective from the second funding round of 2016.
was submitted in the third funding round of 2018. The US$100 million GPE funding is to support a US$300 million project co-financed with ARTF and IDA.

3.2 The Committee assessed the revised application and discussed whether it met the funding model requirements to access the fixed and variable part of the maximum country allocation.

3.3 Prior to the discussion, the following conflict of interest was disclosed:

- Douglas Sumerfield, World Bank, as representative of the grant agent for the proposed program.

3.4 The GPC had a rich discussion regarding the application and found that Afghanistan met the requirements.

3.5 The primary discussion points are summarized in Annex 1. The evidence for meeting the requirements and quality standards is set out in Annex 2.

4. IMPLICATIONS OF RESULTS-BASED CO-FINANCING PROGRAM IN RELATION TO GPE OPERATIONAL MODEL

4.1 The program to be co-financed by GPE is a hybrid modality, combining a large portion input-based project financing with additional results-based financing to be disbursed to the government’s regular budget within the framework of ESP-wide operational planning and monitoring. The program approach supports greater engagement and capacity building of national systems (alignment) as well as improved coordination of external aid through co-financing.

4.2 The project, although innovative and promising, is complex. The co-financed modality requires attention in terms of how much ex-ante controls GPE’s centralized governance bodies can or should have on grant management following Board approval of the grant.

4.3 The management of GPE ESPIGs is regulated in the Policy on ESPIGs. Under the current Policy, any changes to variable part indicators and their timing require GPC approval and any changes to the results framework for the grant require Secretariat approval. The RBF portion of the project is structured around seven DLIs. Revisions to the DLIs might be required that would need approval by the GPC or Secretariat. Given that the GPE grant supports a larger co-financed program, it could potentially make both ARTF and IDA funding subject to the GPE Policy on ESPIGs when any changes are required, while incurring additional transaction costs for all stakeholders. The Committee noted that these potential implications are undesirable. They might also discourage
future co-financing programs, undermining one of GPE’s strategic objectives (indicator 30 of the GPE Results Framework).

4.4 The Committee had a preliminary discussion on the issue at its April 2018 meeting when the initial grant application from Afghanistan was discussed and agreed that a holistic discussion was needed. The Committee further discussed the issue at its October 2018 meeting, focusing on how the principles of the GPE funding model – especially the transformative dimensions of Equity, Efficiency and Learning inherent to the Variable Part – can be safeguarded during grant implementation when revisions to the program are needed that may unintentionally dilute the stretch in the three dimensions, while recognizing that GPE approval processes can cause implementation delays and jeopardize the overall success of the program.

4.5 As a first step in addressing the issue, the Committee with respect to results-based financing modalities clarified in the Policy on Education Sector Program Implementation Grants that local education groups can reallocate amounts between indicators (non-Variable Part) of less than 10% of the total grant amount from GPE trust funds, not exceeding US$5 million, without prior approval from the Secretariat. This is similar to reallocation between components for traditional programs. In addition, local education groups would be allowed to revise targets (not indicators) up to 10%. The Committee also delegated authority to the Secretariat to approve for all grants delays in reaching Variable Part targets of up to six months, and revisions to targets up to 20 percent.

4.6 The Secretariat will monitor the grant closely with respect to revisions as it rolls out, with periodic reporting to the GPC, in addition to monitoring the implementation of the content of the program. Based on lessons learned, the Committee may seek to further accommodate results-based co-financing modalities. The Committee notes that this may lead to adaptations of the funding model to ensure the model is fit for purpose in providing for this new modality and optimize conditions for co-financing to a desirable extent. The Committee will seek the Board’s approval for any such changes to the funding model.

4.7 More details on the approach of the project to be co-financed with the ESPIG may be found in Annex 2.

5. **PLEASE CONTACT** Margarita Focas Licht ([mlicht@globalpartnership.org](mailto:mlicht@globalpartnership.org)) for further information.

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2 In its terms of reference, the GPC is delegated authority to approve revisions to the policy, provided revisions do not have financial implications and are consistent with the GPE Charter, other key GPE policies and GPE strategic frameworks.
6. ANNEXES

6.1 This paper includes the following annexes:

- Annex 1 – GPC Observations, Report-Backs, and Conditions
- Annex 2 – Secretariat Quality Assurance Review Phase 3 (Final Readiness Review)

6.2 The following is available on the Committee eTeam site:

- Afghanistan ESPIG Application Package (GPC/2018/10 DOC 02)
## Afghanistan

### Observations
The Committee recommends approval of the grant application and recognizes the challenges posed in the preparation and implementation of the grant due to Afghanistan’s fragile context.

The Committee appreciates efforts from the government and development partners to use a grant modality that still significantly aligns with country systems, especially given the difficult context in Afghanistan. Through the endorsement of the National Education Strategic Plan (NESP III) and Education Quality Reform in Afghanistan (EQRA), the development partners have laid out expectations of EQRA serving as a platform for wider aid coordination in line with domestic resources and monitoring of NESP III.

The Committee recommends work to continue on the operationalization of EQRA’s modality and approach, so that strong understanding and capacity is developed in preparation of implementation. In particular, the results-based financing (RBF) components of the program need to be more clearly differentiated as an RBF modality, supported by a broader set of NESP III inputs, resources and management; particularly from the government’s regular budget.

The Committee acknowledges that the lack of reliable data in Afghanistan hinders adequate sector planning, costing and program implementation and recommends the program address how best to improve data quality and actionable use, notably in line with the program’s disbursement-linked indicator (DLI) on EMIS but also NESP III operational planning and reporting. The Committee emphasized that the roll-out of the annual NESP III operational framework will allow for sector budget and program readjustments in NESP III, in line with data and operational realities.

Component 4 constitutes a significant portion of the program budget and a critical element for capacity support, oversight and reform in the deployment of externally-funded technical assistance. As part of program effectiveness preparation and transparency this component should be mapped out as part of a broad capacity building plan that can be supported by all the partners. The Committee recommends the grant agent support the development of such a comprehensive mapping.

### Report-Backs

*For the coordinating agency:*

While NESP III only indicates a limited growth path to 12.6%, the Committee took note of the security circumstances in Afghanistan as a mitigating factor when it considered the domestic financing requirement of the funding model. Nevertheless, the Committee urges Afghanistan to increase the share of education in the budget and notes that currently the conservative estimate in NESP III is being surpassed. In addition, the Committee requests an annual report back from the coordinating agency on behalf of the local education group and via the Joint Sector Review Report on the actual share of education for the duration of the grant period (through annualized figures), along with an analysis of the budget to enable the Committee to consider the evolution of
Afghanistan’s education budget in context. Moreover, the Committee stresses the continued need for improved efficiency and effectiveness, which is critical to increasing available resources for education service delivery and requests the grant agent to clearly include any efficiency gains in its regular annual reporting. Ideally, this should be part and parcel of the NESP III annual reporting, therefore not requiring additional ad hoc reporting formats.

*For the grant agent:*

While acknowledging the heavy need for infrastructure, as included in the endorsed NESP III, the Committee is concerned around the implementation of the large portion of infrastructure in the co-financed EQRA program and in the fragile context of Afghanistan, with the risk of delays and extensions. The Committee requests the grant agent follow the program’s performance more closely in this regard, including the anticipation of any potential restructuring, and requests an annual update of related country-level discussions as part of the grant agent’s regular progress reporting.

The Committee notes that the Community Based Education (CBE) elements of the program have not resulted in the inclusion of a CBE indicator in the program’s results framework. Additional information provided by the grant agent indicates that the CBE data system in Afghanistan is not yet mature enough to capture such data, which therefore precludes including it as a specific target in the program’s results framework. The program commits to earmarking US$10 million to supporting the EMIS to better capture CBE data, implement the 2018 CBE policy and guidelines, as well as working and work with all development partners to support the expansion of CBE in a more harmonized and sustainable manner, to a minimum of 33,000 additional students. The Committee requests the grant agent to include an update on this in its regular annual progress reports.

The Committee also requests that the Grant Agent Allocation (supervision fees) be adjusted once the IDA and ARTF contributions to supervision have been finalized, to ensure a fair attribution of supervision costs across the three co-financing sources. The Committee requests the grant agent to share the finalized supervision fee allocation with the Secretariat.

| Conditions | The Committee notes the importance of strong preparation for program implementation, transparency, and coordination. The Committee therefore requests that the roll out of the functional NESP III annual operational planning and reporting framework for the first year be shared with the Secretariat by the grant agent prior to the transfer of grant funds by the Trustee. The Committee notes that the delivery and endorsement of each annual NESP III operational plan and implementation report is included as a specific DLI in the co-financed program, with a first conditional payment planned at the end of 2018. |
Quality Assurance Review – Phase 3

Total Program Cost:
GPE: US$ 100 million; IDA: US$ 100 million; ARTF: US$ 100 million
Proposed GPE Grant (fixed and variable):
US$ 98 million in co-financing for a US$ 298 million program and
US$ 2 million for Grant Agent Implementation Support Costs
Implementation period: 5 years
Projected implementation start date: December 1, 2018
Grant Agent: World Bank

1. BACKGROUND AND EDUCATION SECTOR OVERVIEW

1.1 COUNTRY BACKGROUND

Over the last decade, Afghanistan witnessed strong economic growth at an average of 9.4 percent per year; however, the impact of this growth on poverty reduction and improved living conditions has been uneven. Growth has been driven by investments in reconstruction, expansion of services supported by aid, and periodic surges in agricultural production. Poverty remains prevalent across the country, increasing from 36 percent in 2012 to 40 percent in 2014. The unemployment rate also increased from 8.2 percent in 2008 to 22.6 percent in 2014.

The transition after 2012 has been challenging, with the withdrawal of international troops, a decline in foreign aid, and the negative impact on the local economy following the closure of military bases. Reform progress slowed during 2013 and 2014, and the protracted election and Government formation process exacerbated the challenges by negatively affecting business confidence and investment.

According to the Country Economic Report (2016), lack of security is perceived to be the most important constraint for private investment in Afghanistan. It is also one of the biggest challenges for public service delivery and affects growth and poverty by damaging human capital, constraining productive economic activities, increasing social unrest, unequal access to basic services, and increasing political instability.

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<tr>
<th>Afghanistan</th>
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<tr>
<td><strong>Population</strong></td>
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<tr>
<td>34,656,032 (2016, United Nations Population Division)</td>
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<tr>
<td><strong>Human Development Index Ranking</strong></td>
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<tr>
<td>169 out of 188 (2015, HDI rankings)</td>
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<tr>
<td><strong>GDP current</strong></td>
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<td>US$19.469 billion (2016, WB national accounts data and OECD National Accounts data files)</td>
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<td><strong>GDP per capita</strong></td>
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<td>561.7 (2016, WB national accounts data and OECD National Accounts data files)</td>
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<tr>
<td><strong>World Bank Income Classification Level</strong></td>
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<td>Low income (June 2017, World Bank Data)</td>
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1.2 EDUCATION SECTOR OVERVIEW

The National Education Plan (NESP) III reports significant achievements since 2001 with regards to access and girls’ education. Since 2001, the number of children enrolled in General Education (grades 1-12) has risen by almost nine times, from 0.9 million (almost none of them girls) to 9.2 million with 39% girls. The number of schools has also increased from 3,400 to 16,400. Afghanistan has a very young population with 44% under the age of 15 (according to the CSO 2016 yearbook). 7.8 million students are in Basic Education (age 6 to 15, grades 1 to 9). The common Goal of the Strategic Plan reflects this reality: to prepare skilled and competent citizens through the education system to sustain Afghanistan’s socioeconomic development and social cohesion.

Despite these achievements, NESP III (2017-2021) recognizes that there is still much to do with regards to equity, girls’ education and improving access and efficiency. Even with the increase in girls’ enrollment, many provinces have very low female students reported, with ranges as low as 14%. The availability of female teachers is also a challenge, with NESP III reporting an average of 33% nationwide, ranging from 74% in some provinces to as low as 1.8%.3

With regards to efficiency, a major challenge is to increase the low overall primary attendance and retention (only 55% children aged 7-12 are attending4), with wide disparities among provinces. Of the 42% of children aged 5-14 attending school, more than half of them (51%) are also involved in economic or household activities. NESP III highlights the importance of strategies to identify out of school children and those at risk of dropping out.5

In light of continued demand for education, the need to complete the building of more schools and equip them adequately, the need to improve the quality and relevance of programs and to prepare graduates better for productive work has become urgent. NESP III recognizes that quality has taken a back seat to access and identifies it as a priority area.6

1.2.1 Learning outcomes:

The relevance and quality of learning so that children are better prepared for employment with skills as well as knowledge is a challenge and a priority. A major curriculum and training reform is at the heart of this strategy. This is to be coupled with efforts to improve the effectiveness and efficiency in the supply of education services, including school construction (to provide secure learning environments) and sounder teacher recruitment, placement, and accountability. The offer of alternate pathways, including improved Community Based Education, will also figure prominently.

Afghanistan does not yet have standardized performance tests or national examinations at primary or secondary school, which makes assessing learning outcomes a major challenge. In addition, a central examinations authority does not exist. Despite data having been collected on school attendance and literacy levels in the population, little was known on the quality of educational

3 NESP III, p. 19
4 In Afghanistan there is a significant difference between official enrollments and attendance. In 2014, 18.3% of the total number of students were permanently absent but still registered as enrolled. These may be displaced or enrolled elsewhere. Or they may be children who have dropped out of school. NESP III, p.20
5 NESP III, p. 20
6 NESP III, p. 21
outcomes until 2013 when an EGRA and EGMA was administered to assess reading and numeracy skills and, in the same year, a comprehensive learning assessment study, Monitoring Trends in Educational Growth (MTEG), was conducted by ACER. (ESA, p. 115).

1.2.2 Equity:

In particular, the country would need to reduce the educational disadvantage of poor children and girls. The primary school completion rate, for 2014 is 50.2 percent. Girls’ completion rate (40.3 percent) is less than that for boys (58.1 percent) and it is much lower in rural areas. Enhancing the basic quality of education services is critical in tackling this equity deficit. This ranges from the general improvement in the quality and accountability of teachers, to the improved availability of secured and gender-appropriate school facilities (reabsorbing the deficit in classrooms, boundary walls and latrine) and an increased deployment of qualified female teachers.

In terms of Early Childhood Care, attention has so far been negligible. Only 1% of children aged 3-5 years are attending pre-school in Afghanistan. The attendance figure is eight times higher in urban areas as compared to rural areas (ESA p. 65)

There is a large gross enrolment gap between provinces, from less than 20% in Zabul to 80% and above in the best performing provinces. There is widening disparity between poor/non-poor. 5.1 % of the poorest women are literate against 50.3 % of the richest women. (ESA p. 185). Resources need to be targeted more equitably towards front-line education services and with more accountability for results. Improved metrics, showing up key indicators in the availability or deficit in basic education services, will need to be used to better target and monitor resources.

1.2.3 Efficiency:

About 5 percent of the total student population drops out of school every year. Overall, School life Expectancy (SLE) is only 9.6 years. In Afghanistan, dropout and repetition rates increase especially beginning in third grade. (ESA, p. 10). Teacher numbers have increased though they have not kept pace with student numbers, and pupil teacher ratios (PTRs) have increased. (ESA, p. 14). In addition, teacher knowledge and pedagogy are poor. Less than one fifth of teachers follow prescribed good pedagogical practices in the classroom. Teacher knowledge of material is at around a Grade 2 level in language and between Grade 2 and 3 level in math. (PAD, p. 32). There have been serious issues highlighted around the recruitment and placement of teachers, open to corruption and nepotism, and not enough on the basis of merit. With teachers being the primary input for education services, as well as by far the largest item of expenditure in the education budget, this naturally undermines the efficiency of the education sector.

The Ministry of Education has been identified as highly susceptible to corruption and inefficiency, across resource allocation and expenditure in education services: teachers, school construction, textbook distribution, etc. This has resulted in a strong call for greater transparency in resource allocation and expenditure in the education sector, structural reforms, changes in organizational culture and systems strengthening. NESP III indicates that “Public perceptions of performance in the

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education system have a direct impact on confidence in the government”, resulting in a need to “rebuild trust in Afghanistan’s education service delivery through new forms of participation, transparency and a focus on results. The sector efficiency and contribution to economic growth urgently need to be raised.”

1.2.4 Monitoring of Sector Performance:

NESP III notes that “monitoring of education performance has significantly improved over the last few years with two dedicated units in MoE, the Monitoring and Reporting unit under the EMIS Directorate and the Research and Evaluation Unit under the Directorate of Strategic and Operational Planning responsible for M&E. Improved data collection will increase the ability of the MoE to undertake efficient planning, assessment, and prioritization. Under NESP III MoE will implement transparent collection methods and supervision to reduce the risk of enrolment and other numbers being inflated. The Annual Education Joint Sector Review process will continue to help coordinate MoE and DP planning and performance monitoring. 8

Joint sector reviews, as typically practiced in other settings, are difficult to organize in Afghanistan due to security reasons. Nevertheless, there are efforts to hold an annual one-day joint review with inputs provided in the form of MoE progress reports.

One of the key weaknesses in the monitoring of sector performance is the ability to properly integrate planning, budgeting and data as part of regular NESP operational monitoring and reporting. Siloed approaches to the deployment of external aid, insufficiently integrated into a single public budget and NESP monitoring process exacerbates this. NESP III therefore includes a thorough new approach, with an operational planning and reporting framework (cf. NESP III Operational Plan). It is expected that this framework will be operationalized and use for systematic annual planning and reporting, on both on-Budget and off-Budget resources. Cross-referenced with EMIS and external data sources this will allow to monitor progress in sector implementation and performance.

2. FIXED PART REQUIREMENTS

The Secretariat’s QAR 1 feedback and report (December 2016, May 2017), finalized after NESP III’s endorsement by the Development Partners and adopted by the Government, analyzed the requirements in the context of Afghanistan and concluded that they were met. This was confirmed in updates with and review by GPC.

2.1 Requirement 1: A credible, endorsed Education Sector Plan (ESP), or alternatively, a Transitional Education Plan (TEP).

The draft NESP III (2017-2021) and its Operational Plan was appraised in September 2016 and February 2017, together with its comprehensive multi-annual Operational Plan. A final version of

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8 EQRA’s Component 3 focused on Strengthening Education Sector Planning Capacity and Transparency will support NESP III in strengthening the EMIS, improving data collection, monitoring, reporting and information sharing. These actions in conjunction with efforts to coordinate joint sector reviews and performance monitoring by the Government and development partners, speak to the Special Inspector General for Afghanistan Reconstruction’s Audit Report 18-42’s (April 2018) recommendations, two and three in particular, for specific steps that would improve donor access to information, improve monitoring and address gaps in data and reporting, as well as improve sharing of performance information.
NESP III was then endorsed by Development partners in March 2017 and adopted by the Government. The independent appraisal of NESP III noted that it is a comprehensive plan that places quality and equity at its heart. While the simulations and financial projections appeared sound, practice may lead to financing gaps that are larger than those presented. The development of a multi-annual Operational Plan is a significant step forward but will naturally require adjustments as it is expressed in real annual operational plans and budgets.

The summary ESP assessment carried out internally by the Secretariat indicates that NESP III met overall quality standards. NESP III is not fully sector-wide, covering the sub-sectors under the mandate of the Ministry of Education (basic education, secondary education, TVET, Islamic education and non-formal education). However, the ESA was sector-wide and connections between MoE and other ministries (covering higher education, refugees and repatriation, women's affairs, etc.) are included in the ESP.

**Conclusion:** The Secretariat deems that Requirement 1 is met.

### 2.2 Requirement 2: Evidence of commitment to ESP or TEP and its financing.

Requirement on Government commitment, 2.a – commitment to finance the ESP – the ESP was endorsed in March 2017. Budget commitments in Afghanistan FY 2017 and projected resources to education in the Medium-Term Budget Framework (MTBF) allocate enough resources, which are in fact higher than the initial ESP projections.

Requirement on Government commitment, 2.b – commitment to increase the relative allocation to education in the national budget (towards 20%) - Comparing the share of education in the budget over the period 2014-2016 with the FY 2017 budget and projected allocation over the period 2018-2020 (sources: annual budget laws and Medium Term Budget Framework): the average percentage allocated over the period 2014-2016 was 12.8% and the average over the period 2017-2020 is 13.2%; this shows a marginal relative increase (and above the more conservative estimates, at 12.6%, that had been initially projected for NESP III; also, the share of education spending as a a share of the fully executed budget tends to be always around a percentage point higher).  

This comes against the broader backcloth of (i) the current plateauing and then projected slight reversal of a longer term historical decline in relative allocation to education (from 17.1% in 2010 to 13% in 2014); (ii) the increased budgetary commitment to security (anything between 34% and 44% of the budget, from FY2014-FY2017; which is an exceptionally high level of commitment and budgetary constraint), as the Taliban and IS insurgency has increased considerably, and the ISAF mission in Afghanistan (International Security Assistance Force) closed in 2014; (iii) Government of Afghanistan planned investments in the productive sectors (energy, telecommunications, mining), in order to boost economic growth, employment prospects and government revenue; (iv) NESP III policy and strategy aiming at reform and increased effectiveness and efficiency in education/MoE expenditure, across both recurrent and investment spending (teacher management, procurement, procurement,

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9 The percentages indicated cover the total budget – recurrent and investment.

10 The Secretariat notes that security is a critical factor in education demand and supply. Without the prospects of decreased or at least contained insecurity, it will be impossible for Afghanistan to deliver effective and efficient education services, and provide universal access to school, free from intimidation or violence.
works, etc.) - for example, the ESA noted that a 10 percent saving in material costs can be achieved through improved procurement processes.\textsuperscript{11}

Requirement on Government commitment, 2.c – commitment to allocate at least 45% of the education budget to primary if UPC has not been reached – Government and Ministry of Education projections from 2017 to 2020 indicate an average commitment of 47.5% (source: QAR 1 domestic financing annex, Excel table).

Commitments from the Development partners, notably through ARTF, allows a good degree of predictability of external financing. However, a significant proportion of external aid – through earmarked project funding – is still insufficiently predictable and discretionary. The pooling of IDA, GPE and ARTF resources under the EQRA modality is therefore considered a positive step.

**Conclusion:** The requirement is met, with projected marginal increases in the relative allocation of total education expenditure (recurrent and investment) in the budget over the period 2017-2020. This reverses a broader historical decline of relative education expenditure (from 17.1% in 2010 to 13% in 2014), in a challenging context of insecurity and related heavy budgetary commitments to deal with it.

### 2.3 Requirement 3: Availability of Data.

A comprehensive Education Sector Analysis (ESA) was completed in June 2016, as a part of the third National Education Strategic Plan development process. The last submission of data to UIS was made in December 2017, providing information on basic education indicators (7 out of 12 UIS indicators).

NESP III includes a significant number of activities and planned resources to support capacity development in the production and use of data. This includes investments to improve EMIS and monitoring (11.7% of planned budget for the Management Investment Sector Goal of NESP III), better integrated planning, budgeting and reporting; and better allocation of resources based on norms and needs (allocation criteria). The development of a Learning Assessment Framework is also included to support better data and tracking of learning outcomes.

MoE regularly fills UIS survey forms and shares available MoE data. The major challenges in the reporting is that MoE/EMIS does not have direct raw data on teachers by level, pre-primary data and therefore additional calculation and analysis is required to respond to information needs according to UNESCO’s International Standard Classification of Education (ICSED). Also, the UIS report format for finance does not match the one in Afghanistan and therefore more analysis is done to fill the forms.\textsuperscript{12}

**Conclusion:** Afghanistan has met this requirement through efforts and strategies to further strengthen data-related capacity.

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\textsuperscript{11} Sources: (i) QAR 1; (ii) QAR 1 annex on requirements matrix; (iii) QAR 1 annex / Excel table on domestic financing; (iv) GPC check-in paper - Readiness on the requirements to access GPE funding; (v) summary of Funding Requirement Matrix - Afghanistan update for GPC (2017).

\textsuperscript{12} QAR 1 annex.
3. ESPIG

3.1 PAST ESPIG PERFORMANCE, IF APPLICABLE

The past ESPIG covers a different approach and implementation arrangements, supervised by a different Grant Agent (UNICEF). The total financing of the program was US$ 55.7 million, financed solely from the ESPIG. Its main components are: (i) Strengthening community and social mobilization and governance systems at the local level; (ii) Expanding and reinforcing multiple pathways to education; (iii) Increasing the number of qualified female teachers in areas with high gender disparities; and (iv) Streamlining policy and administrative systems in the MoE.

The ESPIG has been fully disbursed and the program is closing out. The results achieved from this ESPIG include:

- Investments in school improvement plans, including community mobilization: over 1,000 school improvement plans implemented.
- Increased delivery of alternative pathways to education through Community Based Education (CBE) and Alternative Learning Programs (ALP): 2,038 CBE classes and 765 ALPs implemented.
- Increased deployment of qualified female teachers to support girls’ education: 228 teachers have been recruited and deployed.
- Contributions to improve Ministry of Education planning, budgeting and management: training and EMIS development; national policies developed for CBE outreach, Early Education Development, communication strategy, female teacher relocation.

The program achieved an average annual absorption of 8.5 million US$ over the period 2012-2018. The low level of absorption is the result of delays in program effectiveness and the need for major restructuring. Complex multi-annual planning of outputs (typical of project approaches) proved difficult to implement in a challenging context. Some of the original program formulation assumptions may have been overambitious. The project’s output-based programming, while significantly aligned to national systems, was limited in its integration of the regular annual budget across both recurrent and investment expenditure.

Several lessons are being taken forward. These include implementation arrangements which pay particular attention to building sustainable capacity in the MoE, avoiding some of the risks with siloed project implementation approaches and transparency in resource management contributing to overall NESP III implementation and accountability (avoidance of double-counting of CBE classes is cited as an example of lessons learned in this regard).

Assuming EQRA is able to adhere to the planned expenditure over a 5-year period, the expected rate of annual disbursement of the GPE grant would be about 20 million US$; a significant increase on past implementation if achieved. But challenges will remain to be addressed in terms of program effectiveness, including associated capacity support and oversight. This will particularly be the case with respect to the large portion being earmarked for infrastructure; bottlenecks and delays are likely.
3.2 ESPIG DESCRIPTION

The Education Quality Reform in Afghanistan program (EQRA) aims to increase equitable access to primary and secondary education, particularly girls, with a focus on selected lagging provinces, and to improve learning conditions in Afghanistan through four program components: (1) Increasing Equitable Access to Basic Education Especially for Girls in Selected Lagging Provinces; (2) Improving Learning Conditions; (3) Strengthening Education Sector Planning Capacity and Transparency; (4) Technical Assistance and Capacity Building.

EQRA combines two different modalities: (i) a project financing modality, referred to by the World Bank as an investment project financing (IPF) modality and; (ii) a results-based financing (RBF) modality. The former is focused on inputs and outputs; the latter is focused on results. 75% of the program budget comes under the IPF modality and 25% under the RBF modality. The IPF modality covers component 1 (school construction, a pilot for school grants and expansion of community-based education, CBE) – to be focused on 17 targeted provinces – and component 4 (technical assistance/training, ECE pilot, third party monitoring of the IPF activities). The RBF modality covers components 2 and 3 and includes 7 disbursement linked results (DLRs) with corresponding disbursement linked indicators (DLIs); the DLIs are mostly sector-wide and systems-wide in scope, with a focus on reform and NESP III implementation.

The IPF modality will deploy resources for the direct financing of activities and contracts that will be planned and supervised as per typical World Bank project approaches. The RBF modality will provide financing on verification of the attainment of agreed results, disbursing directly as reimbursements to the Government of Afghanistan Treasury Account. These disbursements are to be made against verified expenditures under eligible expenditure programs (EEPs) – budget codes from the Government’s discretionary and recurrent budget, which cover a significantly larger volume of appropriations than the DLI reimbursements. To reinforce the operational connection to NESP III, it is intended that the regular government budget, on-budget and off-budget resources (including EQRA) are annually planned and monitored as part of the NESP III Operational Plan.

The RBF modality DLRs will be verified by an independent third-party monitor (different from the IPF third-party monitor), contracted directly by the World Bank from its supervision resources. Table A presents an overview of the components, subcomponents, DLI/DLRs and corresponding budgets. GPE funds will be combined with ARTF and IDA to co-finance all the components of the program, both IPF and RBF. The share of GPE resources financing each component results in a slightly reduced share of exposure to the IPF/construction component and increased share of contribution to the RBF components, but the difference is not very significant.

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13 The Government codes identified by the Bank are code 22 (goods and services) and code 25 (acquisition of assets).
14 The Government will need to demonstrate that spending against the agreed EEPs/budget codes is at least equal to the DLI amount to be disbursed.
15 The NESP III Operational Plan and reporting framework was developed and endorsed with NESP III – it includes a 23-page methodological working document and detailed classification tables.
16 IDA, ARTF and GPE grant share for each component: 1 (22.8%, 22.8%, 18.1%); 2 (3.2%, 3.2%, 5.4%); 3 (3.7%, 3.7%, 5.7%); 4 (3.9%, 3.9%, 3.7%).
For the ESPIG application, the RBF contribution to dimensions of equity, efficiency and learning are highlighted through 3 DLRs (cf. second part of Table A), but the dimensions are also addressed from different angles by the other 4 DLIs. GPE’s variable part (30% of the ESPIG, or notionally 30 million US$ within the total program) is adequately covered.

**Table A: ESPIG Components and Costs**

<table>
<thead>
<tr>
<th>Program Component</th>
<th>Amount (Total Financing – million US$)</th>
<th>RBF-DLIs and budgets (million US$)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1</td>
<td></td>
<td></td>
<td>64 %</td>
</tr>
<tr>
<td>(IPF modality):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase Equitable Access to Basic Education Especially for Girls in Selected Lagged Behind Provinces</td>
<td>190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-component 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving School Infrastructure</td>
<td>175</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-component 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Grants Program for Improved Access and Retention</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-component 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting Community-Based Education</td>
<td>10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 2</td>
<td></td>
<td></td>
<td>12 %</td>
</tr>
<tr>
<td>(RBF modality):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving Learning Conditions</td>
<td>35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-component 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting Subject Knowledge Training of Teachers of Selected Grades and Developing Standardized Examination for TTCs</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sub-component 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supporting a Pilot Program to Strengthen Coaching and Training of Teachers and Classroom Observations</td>
<td>DLI 1: Improved teaching quality rating based on classroom observations – 15 million</td>
<td>DLI 2: Existing textbooks distributed and teaching and learning materials for the new</td>
<td></td>
</tr>
<tr>
<td>Sub-component 3</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Supporting Development of Curriculum and Learning Materials and Delivery of Textbooks from PEDs to Schools</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 3</td>
<td>DLI 3: Improved EMIS data collection and quality assurance procedures implemented – 10 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(RBF modality): Strengthen Education Sector Planning Capacity and Transparency</td>
<td>39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-component 1</td>
<td>DLI 4: Development and implementation of a teacher policy for prioritization in the hiring and allocation of teachers – 10 million</td>
<td></td>
<td></td>
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<tr>
<td>Improving Education Management Information Systems (EMIS)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-component 2</td>
<td>DLI 5: Integrated personnel database for education staff established – 5 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving Teacher Recruitment and Management</td>
<td></td>
<td></td>
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<tr>
<td>Sub-component 3</td>
<td>DLI 6: Annual results-based reports implemented between MoE, PEDs, and DEDs – 5 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving Budget Planning and Introducing Results-based Reporting</td>
<td>DLI 7: NESP III Operational plan on management and budgeting cycle developed and results reported – 5 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(outputs-based): Technical Assistance and Capacity Building</td>
<td>34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>298</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL** 298

IDA: 100
ARTF: 100
GPE: 98

GA implementation support/direct costs*: 2 million
Agency Fee**: 1.75 million

* Include Grant Agent's direct costs, such as Program Management, Administrative and other direct implementation costs.
NB: These costs amount to 333,000 US$ per year (5 years of the program + 12 months for grant effectiveness preparation and then closure). This figure may need adjusting to take into account fair contributions from ARTF and IDA. The World Bank will also provide an annual budget towards the implementation support/supervision costs.

** Agency Fee is not included in the MCA and is calculated as percentage rate (agreed with each GA) from the Total Fixed Part and Total Variable Part.
Highlighted DLIs in the application on the three dimensions of equity, efficiency and learning

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Equity</td>
<td>DLI 4: Development and implementation of a teacher policy for prioritization in the hiring and allocation of teachers – US$ 10 million</td>
</tr>
<tr>
<td>B</td>
<td>Efficiency</td>
<td>DLI 3: Improved EMIS data collection and quality assurance procedures implemented – US$ 10 million</td>
</tr>
<tr>
<td>C</td>
<td>Learning</td>
<td>DLI 2: Existing textbooks distributed and teaching and learning materials for the new curriculum developed for all grades – US$ 20 million</td>
</tr>
</tbody>
</table>

3.3 ASSESSMENT OF THE PROGRAM DOCUMENT

- **Program Design**

The program addresses key challenges as documented in NESP III around weak access to school for rural children, particularly girls, low rates of school attendance for enrolled children, weak teaching quality and weak overall transparency, coordination and management of resources. The program supports planned investments for NESP III, including school infrastructure needs, as well as systems-centered capacity development and reform. The latter sits particularly well with GPE’s focus on systems strengthening. The program design is comprehensive, covering sector context, detailed program description, results framework, risk management and implementation arrangements.

The program’s results chain links the various areas supported by the program to outputs, PDO outcomes that are achievable within the program duration, and longer-term outcomes. The results chain is anchored in knowledge and evidence as explained in the program document, as well as past program experience. The results chain seems logical and positions the various indicators of the results framework along the results chain. EQRA supports five global-level objectives for GPE financing: (a) strengthening education sector planning and policy implementation; (b) supporting mutual accountability through effective policy dialogue and monitoring; (c) ensuring efficient and effective delivery of grant support in sector plan-level targets for equity, efficiency, and learning; (d) better financing through grants aligned with national systems; and (e) building a stronger partnership through joint policy dialogue.

The design is complex, across a sizeable project investment component and 7 DLIs with their associated targets, disbursements and verification mechanisms. The infrastructure activities will be challenging, because of the difficult security and implementation environment. Past absorption of project funding for infrastructure has been poor, with significant delays and extensions. The results-based financing modality and approach is new, which will require fine-tuning around capacity building and oversight. Some procedural details still have to be worked out as part of preparation for program effectiveness, including the finalization of several operational manuals; all currently in draft format according to the Grant Agent.

The modality choice was addressed early on in the dialogue, including during the process of Grant Agent selection. Its approach, towards greater engagement and capacity building of national
systems (alignment) as well as its co-financing (reduced fragmentation of aid and improved coordination under NESP III), was a key element in its endorsement by the Government and Development partners. The changes to the program after initial submission in February 2018 have significantly altered the modality and there is therefore a lesser integration into the regular national PFM systems. However, with respect to GPE’s Results Framework indicator #29 the modality is still considered significantly aligned.

The identification and formulation process has been challenging, with several last-minute changes. An earlier application was withdrawn in June at the GPE Board approval stage to work in a significant change in conceptual approach and implementation modality. The EQRA concept and design has now shifted more towards a project approach with focus on inputs and projectized risk management. This has resulted in the largest part of the program (components 1 and 4) using a traditional IPF modality – compared to the previous application from February 2018, which had mainly been RBF. There have been compelling reasons put forward for this, including safer program risk management. This should allow for stronger fiduciary oversight of the grant, while still maintaining leverage on wider NESP III implementation and systems strengthening.

The program document clearly indicates the use of two different modalities, IPF and RBF. The RBF modality mobilizes conditional financing, as an incentive to reach certain results, and structured as reimbursements of expenditure that will have been carried out on the regular discretionary government budget. While this is clear in the program design, the program document also notes that the whole of EQRA (both IPF and RBF modalities) uses an IPF instrument. The DLI budgets under components 2 and 3 have been costed as specific inputs within the EQRA costing framework, in a similar manner to the input costing of the IPF modality components. In this regard, it would be helpful for the program design to further clarify the precise differentiation between the RBF and IPF modalities.

The NESP III Operational Plan and reporting framework, endorsed in March 2017, has not yet been used for annual planning and reporting and there is little indication that the EQRA program document – and its program budget and costing framework – has been finalized in relation to it. This raises the potential risk that EQRA could be implemented in isolation of the broader NESP III operational framework. This type of risk has been identified in NESP III and referred as the projectization of aid. It remains to be seen how the reformulated program, with the two funding modalities, will be integrated into NESP III operational planning processes and fully leveraged for a system-wide impact that is not limited to the program’s resources.

The program design is strong and comprehensive, addressing many challenges identified in NESP III. The design is ambitious, while also addressing areas of risk and providing measures for their management. It would be helpful to further clarify the differentiation between the IPF and RBF modalities and ensure strong linkages with NESP III annual operational planning and reporting. This would strongly enhance the opportunities offered by the results-based financing, as indicated in the Project Appraisal Document (PAD):
 [...] the RBF approach will serve as a common strategic framework for DPs to support shared results in the sector and support the GoA’s efforts to harmonize both on-budget and off-budget interventions in the sector and respective sectoral outcomes. (page 35)

- **Program Budget**

The program is principally inputs-based (75% of the EQRA budget under the IPF modality) and these inputs have been costed to a satisfactory degree, although at an aggregate level in the budget documents shared by the Grant Agent. Additional information received by the Secretariat demonstrates that detailed oversight of unit costs is being provided, notably for the construction under component 1. Component 4 has also been budgeted, with detailed information and unit costs for the technical assistance. This should provide valuable transparency for the broader coordination and more sustainable deployment of technical assistance under NESP III.

Components 2 and 3 (25% of the EQRA budget under the RBF modality) include the 7 DLIs, that have been priced with detailed conditions and planned schedules for disbursement. The DLI-based components have also been planned and costed as inputs in the program budget, which comes across as somewhat incongruous with the modality. It also results in some inconsistencies between EQRA’s program document and its budget costing framework. While there is added value in the planning of inputs for the realization of the results, this planning should be carried out within the broader framework of the government budget, NESP III operational planning and joint policy dialogue.

The principle of EQRA’s results-based financing providing reimbursements to the Government’s recurrent discretionary budget means that traditional questions around input-based budgets and costs are displaced towards broader NESP III operational implementation and monitoring, with a focus on the Government’s own recurrent and investment budget. The Government’s comprehensive budget, together with off-budget contributions, is to be annually planned, validated, monitored and reported against. A procedural manual, together with capacity support in rolling out the NESP III annual planning and reporting framework will clarify this process. This important principle is reinforced by DLI 7, which rewards the delivery and endorsement of each annual NESP III operational plan and implementation report.

To date, the multi-year Operational Plan (OP) that was developed for NESP III and endorsed in 2017 will need to be updated and rolled out for annual planning and reporting. In addition, EQRA’s budget and cost framework seems to have been developed independently of the NESP III OP17. As part of project effectiveness this issue should be addressed, to leverage better planning through the NESP III operational plan framework. DLI 7 on the development of NESP III annual operational planning offers a welcome incentive for this, which should be further leveraged through EQRA’s own budget planning process.

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17 EQRA’s costing framework has its own specific classification (by components and sub-components), which is different from the NESP III OP classification.
• **M&E**

The Program includes an adequate M&E framework and supports measures to improve data systems, including EMIS. The program includes a results framework, including outcome, output and process indicators aligned to the Program’s objectives, baselines and targets. The results framework is quite comprehensive, covering expected results for all the subcomponents, with the exception of the CBE subcomponent 1.3 – the target of 33,000 students has not been included in the RF. However, this is a minor omission that can be rectified, and the target is well referenced elsewhere in the program document.

The program includes a description of the M&E framework. M&E functions will be carried out by the respective MoE departments and consolidated by the Department of General Education. Roles and responsibilities of entities involved in monitoring and reporting are well described. Monitoring activities will comprise tracking implementation progress (physical and financial), achievement on key performance indicators, including DLRs and intermediate outcome indicators, and compliance on eligibility and funds utilization.

• **Fiduciary, Implementation Arrangements, and Readiness**

The program has been revised to reduce the share delivered through a results-based modality in order to decrease the risk associated with the use of such a modality in this context. Going forward, it will be important for the GA to provide further clarification on the differentiation between the IPF and RBF modalities, with a particular focus on the RBF.

EQRA is aiming to address lessons from past implementation, including unintended negative effects from the use of siloed project implementation unit (PIU) approaches, in order to better support a NESP-wide approach and better coordination. The development of the first annual operational plan for NESP III in 2019 should also be helpful in this regard. The Department of General Education of the Ministry of Education (MoE) will be responsible for implementation and results. The NESP steering committee, chaired by the MoE and including representatives from Ministry of Finance (MoF), Ministry of Rural Rehabilitation and Development (MRRD) and developing partners, will provide oversight. A task force will also be constituted to provide strategy guidance to the project and a focal point from within MoE will manage day to day operations. Provincial Management and Implementation Committees will be responsible for providing oversight over provincial-level implementation.

The financial management arrangements and procurement will to a large extent rely on the country’s own systems and human resources, but with technical assistance support. Financial management will be carried out by the Finance and Administration Directorate in MoE and the Financial Management unit at MRRD. MoF will have two budget lines, one for the MoE and the other for the MRRD to budget and account for EQRA’s IPF expenditures. Disbursement modalities are explained in the program document. Component 4 will also finance Third-Party Monitoring (TPM). The TPM will carry out the verifications of the achievements of the DLIs as a basis for disbursements by the World Bank to the Government.
As part of preparations for program effectiveness, work is progressing on the development of a Procedural Manual as well as roll-out of the NESP III annual operational planning and reporting framework. The Grant Agent is also preparing for the mobilization of the required technical assistance and third-party monitoring for the DLIs, with the aim of full effectiveness ahead of FY 2019. By the time of the review by GPC and the GPE Board, EQRA will have been approved by the World Bank Board (end of September) for the IDA and ARTF co-financing. The World Bank has already mobilized 3.4 million US$ of IDA funding to support preparation for implementation.

- **Risk Identification and Mitigation Measures**

The program document includes a comprehensive assessment of risks, including political, insecurity, governance and fiduciary risk. The program document includes detailed measures for risk mitigation, with a particular focus on governance and fiduciary risks. Fiduciary risk management is assessed under the Financial Management section of the chapter on Key Risks; highlighting challenges that will be addressed in budget credibility, budget execution, internal controls and recording. Component 4 is focused on supporting the management of risk, as well as gradually downsizing the volume of externally funded TA and put in place a sounder, more sustainable capacity building strategy.

The program document assesses governance and fiduciary risks as high, with overall risk as substantial. Important measures are included to manage and mitigate those risks. These include: (i) procedural measures of oversight on annual planning, monitoring and reporting of Budget resources (NESP III annual Operational Plan and EQRA Procedural Manual); (ii) specific ex-post controls on Budget expenditure items (audits commissioned by the Bank, sample-based spot checks, third-party monitoring); (iii) high volume of technical assistance (component 4), supervision and direct capacity building support from the Bank. The program document identifies key fraud and corruption risks relating to governance, procurement and financial management; and mitigation measures to be deployed.

The US Special Inspector General for Afghanistan Reconstruction (SIGAR) published an audit report on the Afghanistan Reconstruction Trust Fund: *The World Bank Needs to Improve How it Monitors Implementation, Shares Information, and Determines the Impact of Donor Contributions* (April 2018), concluding with 5 recommendations. USAID and the World Bank provided responses to the audit report. The World Bank concluded that “the recommendations offered by SIGAR lay out an opportunity for the Government of Afghanistan, ARTF donors, and the World Bank to strengthen the focus on results and accountability.” In particular, the Bank fully concurred with recommendations to improve donor access to information on management, including access to Monitoring Agent reports, and work with donors to ensure that the Bank fully adheres to and implements its own existing performance measurement guidance when measuring the performance of the ARTF and its development projects.

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18 As described here and under Fiduciary, Implementation and Readiness, EQRA’s financing of a third-party monitoring mechanism (TPM) will be used for the verification of results across all the program components. This mechanism also responds to the SIGAR 18-42 Audit Report on the Afghanistan Reconstruction Trust Fund’s recommendations (numbers one and four). The TPM will seek to ensure the most accurate verification of results and will allow the GA to monitor and verify result in insecure areas where it would have limited access.

• **Sustainability**

The Program has been designed to be sustainable to the extent possible in the specific context of Afghanistan, including efforts at greater transparency and accountability of on budget and off budget resources to be implemented and reporting annually. The MoE in Afghanistan has uniquely large numbers of TA funded from external sources, at all levels of the system, which has evolved throughout the years largely driven by projectized (siloed) approaches to aid. The EQRA design represents a serious attempt to address this issue whilst simultaneously raising the professional capacity of the regular civil service. The design of alternative capacity building support through short term expertise better positioned within the administration around regular budget execution and implementation functions (as opposed to project-focused budget execution and implementation) will be critical. EQRA’s modality offers an ambitious platform to enable this.

• **Aid Effectiveness and alignment**

EQRA will be implemented by the relevant government structures with substantial technical assistance given capacity gaps. The country’s own budgeting processes will apply for results based components (2 and 3) and will be aligned with the Government’s annual budget execution processes; the resources allocated to results based components will go through the Ministry’s regular systems and accounts and will finance a broad set of agreed upon eligible expenditures (subject to the achievement of pre-agreed results that will be independently verified). Component 1 will be included in the annual budget, but under project-centered budget lines for MoE and MRRD. The revised program document is less aligned with national systems and has a lesser integration into the budget compared to the program document submitted in February 2018 but remains significantly aligned.

4. **VARIABLE PART**

4.1 **Description of the variable part**

There are 7 DLIs in the program, for a total RBF of 74 million US$. While all these DLIs will cover different aspects of GPE’s “variable part dimensions” the Grant Agent has highlighted 3 particular DLIs, associated with each dimension:

**Equity:**

DLI 4 (10 million US$) which focuses on the development and implementation of a teacher policy for prioritization in the hiring and allocation of teachers, which will reward the hiring of new teachers according to a new teacher policy, for greater transparency and needs-based allocation. 5 million US$ would be paid on the development and validation of the new teacher policy and 5 million US$ paid on condition that 90% of new permanent teachers are hired according to the policy.

**Efficiency:**

DLI 3 (10 million US$) which is focused on improved EMIS data collection and quality assurance procedures. Fixed payments are to be made, conditioned by achieving time-bound measures to better collect and quality-control school data through the EMIS. This DLI will also have the additional benefit of providing oversight for the harmonization and performance of CBE.
Learning outcomes:

DLI 2 (20 million US$) captures the development of teaching and learning materials for the new curriculum developed for all grades. This DLI includes a scalable payment of up to 10 million US$ for the successful distribution of a planned 45 million textbooks in schools across the country, and fixed annualized payments for the development of new textbooks and teacher guides to cover the new curriculum.

To the above highlighted DLIs we can also consider the other DLIs and their contributions to the three dimensions:

<table>
<thead>
<tr>
<th>Disbursement linked result</th>
<th>RBF</th>
<th>Relevant dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 1: Improved teaching quality rating based on classroom observations (pilot)</td>
<td>15 million US$</td>
<td>Learning</td>
</tr>
<tr>
<td>DLI 5: Integrated personnel database for education staff established</td>
<td>5 million US$</td>
<td>Efficiency, support to equity</td>
</tr>
<tr>
<td>DLI 6: Annual results-based reports implemented between MoE, PEDs, and DEDs</td>
<td>5 million US$</td>
<td>Efficiency, support to learning</td>
</tr>
<tr>
<td>DLI 7: NESP III operational plan on management and budgeting cycle developed and results reported</td>
<td>5 million US$</td>
<td>Efficiency</td>
</tr>
</tbody>
</table>

4.2 Assessment of the variable part

- **Sector Alignment**

Selected policies and strategies are aligned with NESP III. EQRA is intended to be strongly aligned with NESP III’s regular operational planning and reporting framework. Comprehensive annual planning, budgeting, monitoring and reporting will cover the regular national budget (to which EQRAs’ components 2 and 3 directly contribute), on-budget investment aid and off-budget aid. EQRA has a direct stake in this framework being rolled out, including through DLI 7.

The equity and efficiency highlighted DLIs cover improved policy and practice for the hiring of teachers, and the increased reliability of data. Both these results critically underpin the success of NESP III. The learning outcome DLI provides added incentive and leverage for better service delivery of textbooks, which is a critical input under NESP III in order to improve learning conditions.

- **Relevance of selected strategies on equity, efficiency and learning**

The strategies proposed for the three dimensions are relevant to the Afghan context. The strategies are straightforward, in what is a complex delivery environment, providing a simple but critical condition for better education management and service delivery. The Secretariat has assessed that the selected policies are relevant to improve equity, efficiency and learning outcomes in basic education.
The equity RBF focuses on a critical weakness in the education system and what constitutes undoubtedly the most important single input for the delivery of public education: the hiring of teachers. This has been highlighted as a major problem in the system, which disproportionately affect those most vulnerable and without access to alternative service delivery or support mechanisms.

Likewise, incomplete and unreliable data has been identified as a major problem in the management of the system, undermining proper decision making and regulation of the system for more efficiency. The strategy for the DLI on data addresses this, although it is very much based on inputs through implementation of data verification mechanisms.

The strategy for the learning dimension is straightforward, incentivizing the timely distribution of textbooks in 2018/2019 and then the successful development of the new curriculum textbooks. These are important inputs for the sector and NESP III implementation.

- **Transformative effect**

The program document and ESPIG application justify the selection of these results and the underlying strategies as important to improve equity, efficiency and learning outcomes. Although many of the incentives revolve around the deployment of inputs in NESP III development (distribution of textbooks, development of new textbooks, implementation of data verification measures, etc.); their achievement can be considered as important and transformative achievements in the context of Afghanistan.

The Program's results chain positions the chosen DLIs along a logical chain of results. The ESPIG application explains why these strategies are key to improve equity, efficiency and learning outcomes. In terms of transformative progress, the results-based modality of the program is intended to incentivize a stronger focus on accountability for outcomes and results in the sector. The transformative potential is strongest on those DLIs that have a broad scope (i.e. NESP- or systems wide) and are structural in nature. From this point of reference, the highlighting of DLI 2 (textbooks) for learning is a better choice than the DLI on the limited teacher quality pilot that had been highlighted in the February application.

Although the highlighted DLIs are mostly process or output indicators, the PD and NESP III sufficiently describe the key challenges in the Afghan context and the benefits of the selected indicators/strategies, to justify their selection. The PD and application make a case for how and why these reforms (teacher policy, strengthened data collection systems and EMIS, and textbook distribution) would have important sector and system level transformational effects for each of the dimensions. The other DLIs in the program also provide a strong supporting foundation for transformative effect in sector management and results, including DLI 5 (integrated personnel database), DLI 6 (annualized results-based planning and reporting between MoE, PEDs and DEDs) and DLI7 (annual NESP III planning, budgeting and reporting).

- **Adequacy of indicators and targets**
The VP results and the program more broadly represent an adequate level of ambition. Achieving results corresponding to all seven DLIs will be challenging and require a “stretch” for the Government of Afghanistan. The indicators and targets for each of the DLIs are clearly described and have been the result of a detailed formulation process. The targets are broadly consistent with the NESP III results framework.

- **Reliability of means of verification**

The means of verification are clearly described in the PAD and the ESPIG application. The verification of the achievement of the disbursement-linked results (DLRs) will be carried out by a Third-Party Monitor (TPM). The selection of the TPM will be based on capabilities to carry out verification processes, potential for a medium- to long-term engagement, capacity building in the Government system and the ability to act fully independently of the implementing agency. The recruitment of the TPM will be done directly by the Bank or with detailed Bank non-objection and oversight under component 4.

- **Clarity and adequacy of disbursement mechanism**

Disbursement mechanisms are clearly described and appear adequate. For the results-based Component 2-3, funds will be disbursed by the World Bank directly to the Treasury. As noted earlier, the precise way in which the disbursed funds will be implemented needs to be clarified, in line with a clearer differentiation between the IPF and RBF modalities of EQRA.

**5. RECOMMENDATIONS**

The Secretariat recommends the Grants and Performance Committee to consider that the three funding model requirements are met, covering: (i) a credible, endorsed Education Sector Plan; (ii) commitment to finance the ESP (with contextual caveat); (iii) availability of data. Concerning the commitment to finance the ESP, the Secretariat notes that the relative growth path of domestic financing for education towards 20% of the national budget is met.

The Secretariat finds the proposed program to be relevant to the country context and well aligned to the country’s sector plan and government systems. The RBF components and highlighted Variable Part indicators are focused around some critical sector results. Their transformational potential is clear. They also take into account the challenging context of Afghanistan, balancing ambition and risk. The ESPIG co-financing of EQRA with IDA and ARTF will provide a significantly aligned, harmonized and strategic contribution in support of NESP III implementation.

There are some outstanding issues around the integration in NESP III operational planning: EQRA implementation needs to be operationally planned as an integral part of the NESP III operational planning, budgeting and reporting framework. This is a critical aspect to support improved transparency and coordination across the sector. The deployment of the first annual NESP III operational plan and budget for FY 2019 is eagerly awaited. The inclusion of this deliverable as one

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20 These recommendations were adjusted by the GPC. The final recommendations are found in Board Document BOD/2018/10 DOC 01 Annex 1.
the DLI targets is encouraging in this regard. Within this framework, the RBF modality needs to be further clarified, particularly as EQRA is now more strongly weighted towards an investment project financing (IPF) modality. This also highlights the need for focusing as much effort towards the quality components of the program (through the systems strengthening and reform focus of the RBF), as the effort that will be placed on the infrastructure/investment component.

The Secretariat recommends approval of the ESPIG application for co-financing of the EQRA program with IDA and ARTF.

The Secretariat recommends the Committee to encourage strong preparation for program effectiveness, which would include:

- Continuing work to operationalize EQRA’s modality and approach, so that strong understanding and capacity is developed in preparation of implementation. In particular, the RBF components of the program need to be more clearly differentiated as a results-based financing modality, supported by a broader set of NESP III inputs, resources and management; particularly from the Government’s regular budget.

The modality and approach are new and will need to be clearly articulated, particularly as it relates to the joint dialogue and monitoring of NESP III implementation.

- Finalize the development of the EQRA Procedural manual and NESP III annual operational planning and reporting framework

The EQRA procedural manual will provide further clarity on the modality and approach, as well as the concrete structural linkages with NESP III operational planning and reporting.

- Map out the capacity building plan under component 4 within a broader operational framework for the coordination of externally funded TA.

Component 4 constitutes a significant portion of the program budget and a critical element for capacity support, oversight and reform in the deployment of externally-funded technical assistance. As part of program effectiveness preparation and transparency this component needs to be mapped out as a broad capacity building plan that can be supported by all the partners.

Supervision fees will need to be adjusted once the IDA and ARTF contributions to supervision have been finalized. There will need to be a fair attribution of supervision costs across the three co-financing sources.
### Annex 1: Major Interventions of Development Partners

<table>
<thead>
<tr>
<th>Donor name</th>
<th>Major interventions</th>
<th>Financial scale (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDA/World Bank</td>
<td>TVET, higher education</td>
<td>105 million</td>
</tr>
<tr>
<td>Canada</td>
<td>Primary education</td>
<td>32 million</td>
</tr>
<tr>
<td>GIZ</td>
<td>TVET</td>
<td>39 million</td>
</tr>
<tr>
<td>KFW</td>
<td>School construction</td>
<td>13 million</td>
</tr>
<tr>
<td>Japan</td>
<td>Literacy</td>
<td>47 million (includes contribution to UNESCO literacy program)</td>
</tr>
<tr>
<td>Danida (Denmark)</td>
<td>Literacy</td>
<td>2.7 million</td>
</tr>
<tr>
<td>SIDA (Sweden)</td>
<td>Education policy, CBE</td>
<td>0.1 million + significant contributions to multilateral agencies implementing progs.</td>
</tr>
<tr>
<td>Swiss Development Cooperation</td>
<td>Primary education (CBE), teacher education</td>
<td>24.8 million</td>
</tr>
<tr>
<td>UNESCO</td>
<td>Literacy, curriculum development, planning</td>
<td>39 million</td>
</tr>
<tr>
<td>UNICEF</td>
<td>CBE, curriculum, teacher training</td>
<td>24.1 million</td>
</tr>
<tr>
<td>USAID</td>
<td>CBE, Text books, TVET and sector reform (TA)</td>
<td>410 million</td>
</tr>
<tr>
<td>Other partners (aid through NGOs, SC)</td>
<td>CBE, alternative pathways and other interventions</td>
<td>265 million</td>
</tr>
</tbody>
</table>

Source: NESP III Operational Plan + DP updates