

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 22-15 Evaluation Report**

## Afghanistan Reconstruction Trust Fund: The World Bank Improved Its Monitoring, Performance Measurement, and Oversight, But Other Management Issues Persist



**MARCH  
2022**

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT SIGAR REVIEWED

Senate Report 116-126, accompanying the Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2020, directed SIGAR to conduct an assessment of “the internal controls of multilateral trust funds for Afghanistan reconstruction that receive U.S. contributions, to include any third-party evaluations of the internal controls of the Afghan government ministries receiving assistance from multilateral trust funds, and SIGAR is directed to report to the Committee if access to records is restricted for programs funded with U.S. contributions.”

In response, SIGAR initiated this evaluation to assess the steps the U.S. Agency for International Development (USAID) and the World Bank (“the Bank”) took since SIGAR’s April 2018 performance audit of the Afghanistan Reconstruction Trust Fund (ARTF) to improve its management, oversight, and internal controls. SIGAR’s 2018 ARTF report made five recommendations to the USAID Administrator to improve overall Bank management and oversight of ARTF funding. Those recommendations called for USAID to work with the Bank or other ARTF donors to (1) expand the scope of the Bank’s field monitoring, (2) improve public transparency and donor access to information, (3) evaluate the performance of third-party monitors, (4) ensure the Bank adheres to its performance management guidance, and (5) allow donors more flexibility in holding the Bank and the Afghan government accountable for ARTF implementation.

The objectives of this evaluation were to evaluate the extent to which USAID and the Bank took steps to (1) implement SIGAR’s April 2018 recommendations, and (2) address any newly identified challenges to managing and overseeing the ARTF.

### WHAT SIGAR RECOMMENDS

SIGAR is not making any recommendations in this report. In February 2022, SIGAR received written comments on its draft report from USAID’s Mission Director for Afghanistan, and from the World Bank’s Country Director for Afghanistan. They are reproduced in appendices II and III, respectively.

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March 2022

## Afghanistan Reconstruction Trust Fund: The World Bank Improved Its Monitoring, Performance Measurement, and Oversight, But Other Management Issues Persist

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### SIGAR 22-15 EVALUATION REPORT

SIGAR completed substantive fieldwork for this evaluation prior to August 2021, when the Afghan government collapsed, the Taliban returned to power, and the Bank halted ARTF funding and implementation. Although the future of the ARTF is uncertain, the U.S. government and international donors have stated their intent to continue supporting the Afghan people. In light of that intent and because this report highlights improvements and ongoing limitations in the Bank’s monitoring, performance measurement, and oversight of the ARTF, SIGAR encourages USAID to consider these findings as it makes decisions regarding future support to the trust fund and other forms of assistance for the Afghan people.

### WHAT SIGAR FOUND

SIGAR found that the Bank made multiple improvements to its monitoring, performance measurement, and oversight of the ARTF since our 2018 report by addressing SIGAR’s prior recommendations. For example, based on SIGAR’s recommendation that the Bank include periodic performance reviews of the third-party monitors, the Bank completed an independent review of all ARTF monitoring contracts from 2015 to 2019. Additionally, with the ARTF Steering Committee’s endorsement, the Bank updated the ARTF Financing Structure in October 2018 by adding two ARTF activities: the Anti-Corruption and Results Monitoring Action Plan (ACReMAP) and Advisory Services Implementation Support and Technical Assistance (ASIST). ACReMAP funded efforts to improve results monitoring and provide fiduciary oversight support. ASIST provided enhanced advisory services, implementation support, and technical assistance to Afghan national priority sectors.

Despite these improvements, the Bank did not fully address SIGAR’s 2018 recommendations. First, the Bank did not demonstrate that it expanded the physical verification efforts of its third-party monitors. Second, although the Bank took steps to improve communication with and access to information for donors, the Bank did not give donors complete access to documents or provide required reports in a timely manner. Third, even though the Bank took some steps to address our recommendation to conduct performance evaluations and independent performance reviews of its third-party monitors, SIGAR found the completion of independent reviews to be infrequent and not useful for donors in decision making. Fourth, the Bank still did not adhere to its own performance measurement guidance. Fifth, the Bank did not make changes to allow donors to modify ARTF contributions.

Based on SIGAR’s review of available Bank and third-party monitoring reporting since SIGAR’s last audit, SIGAR found that the Bank lacked specific evidence and details on how physical verification results

were incorporated into the eligibility rate (used to determine what percentage of certain Afghan government civilian expenditures would be reimbursed), how many provinces were visited, or how it expanded the scope of physical verification to insecure and hard to reach areas.

SIGAR also found that the Bank took steps to improve communication and information access for ARTF donors, but gaps and delays in the completion of records persisted, resulting in donors left unable to make fully informed decisions. For example, SIGAR found broken links on the ARTF public website and links leading to the wrong documents. In addition, SIGAR found significant delays in the Bank's release and public posting of required reports, such as a delay in 2020 Recurrent Cost Window reporting that amounted to a 5- to 11-month delay in releasing quarterly reports. The Bank did not specifically explain why some reports were still missing or inaccurately linked on the public ARTF website. Bank officials told SIGAR that the delay in producing and publishing third-party monitoring reports resulted partially from COVID-19-pandemic-related factors that restricted third-party monitors from performing their work, and from delays in initiating the January 2020 third-party monitoring agent (TPMA) contract. In February 2022, in response to SIGAR's draft report, the Bank stated that it corrected the issues identified and shared by SIGAR in July 2021 regarding missing and incorrect links to the public ARTF website. Upon further review, however, SIGAR found that two of the nine issues about which we notified USAID and the Bank were still unresolved.

Furthermore, the Bank did not adhere to its own performance measurement guidance related to Investment Window projects, which funded individual development projects that the Afghan government implemented in the agricultural, rural development, infrastructure, human development, social development, technical assistance, and governance sectors. SIGAR assessed the same six Investment Window projects for this report that were reviewed during SIGAR's 2018 audit to determine what, if any, improvements the Bank made in its performance management practices, and what challenges persisted in measuring the performance of ARTF projects. SIGAR found that many of the qualitative issues identified in 2018 were not resolved. For example, SIGAR again found that implementation status and results reports did not provide important performance management information, lacked explanation of performance indicators, and did not contain project narratives that were specific and complete with measurable, attributable, realistic, relevant, and time-bound information, as called for in the Bank's "Investment Project Financing--Preparing the Project Appraisal Document." In addition, SIGAR found that the implementation status and results reports were not completed in accordance with the Bank's quantitative requirements. The Bank required that its staff produce implementation status and results reports every 6 months for each Investment Window project, or within 6 months of a project's completion date, but SIGAR found that most reports reviewed were not completed within these timeframes. In response to SIGAR's draft report, the Bank stated that it "acknowledges that reporting timelines have been a concern for some ARTF donors and remains committed to working with donor partners to support the information requirements of donors' internal processes to the extent feasible. However, this issue does not appear to be a suitable basis for an audit/evaluation standard owing to the lack of a defined standard or timeline for producing the Scorecard, which is at present a voluntary product." SIGAR disagrees and provides examples where the Bank did not meet its own suggested guidelines and timelines.

In December 2020, the Bank restated that it did not concur with the fifth recommendation of SIGAR's 2018 report, reiterating its prior comments and stating that it was not possible to return ARTF funds to donors, recover contributions provided to the Afghan government, or add a conditionality mechanism. Bank officials said one exception that could occur is if a donor exits the ARTF, the donor can recover a pro-rata share of their uncommitted funds if they elected to discontinue their aid. However, SIGAR found that the Bank improved flexibility in the ARTF to allow it to shift funding from poorly performing projects if needed, which aligns with the intention of SIGAR's fifth recommendation from its prior report.

In addition to those already identified by SIGAR, the Bank and donors identified two additional, persistent challenges related to ARTF management and oversight of the ARTF since SIGAR's 2018 report. First, Bank officials told SIGAR that frequent personnel turnover and staff rotations among the donors made it difficult to ensure that the staff understood the ARTF process. To help address this, Bank officials told SIGAR that they maintained and updated an "ARTF 101" briefing for new staff that introduced the program and governance structures. Second, multiple donors expressed concern with the size of the Bank's ARTF team relative to the size of the ARTF portfolio, and stated that the Bank's ARTF team was too small to manage and oversee the large ARTF portfolio, and new programming demands. A donor indicated that the Country Portfolio Performance Reviews (CPPR) process did not strategically reduce the ARTF portfolio as one donor had hoped because the size of the portfolio prevented the Bank from focusing on core goals. Overall, donors stated that the CPPR and fiduciary review processes were positive developments in performance management, but that the Bank had not addressed its capacity limitations that prevented it from using the new oversight tools as donors hoped.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

March 23, 2022

The Honorable Samantha Power  
Administrator, U.S. Agency for International Development

This report discusses the results of SIGAR's evaluation to assess the steps the U.S. Agency for International Development (USAID) and the World Bank (hereafter "the Bank") took since SIGAR's April 2018 Afghanistan Reconstruction Trust Fund (ARTF) report to (1) implement SIGAR's April 2018 recommendations, and (2) address any newly identified challenges to managing and overseeing the ARTF.<sup>1</sup>

We completed substantive fieldwork for this evaluation prior to August 2021, when the Afghan government collapsed, the Taliban returned to power, and the Bank halted ARTF funding and implementation. Although there are unresolved questions regarding the future of the ARTF, the U.S. government and international donors have stated their intent to continue supporting the Afghan people. In light of that intent and because our report highlights improvements and ongoing limitations in the Bank's monitoring, performance measurement, and oversight of the ARTF, we encourage USAID to consider our findings as it makes decisions regarding future support to the trust fund and other assistance for the Afghan people.

The Bank made multiple improvements to the monitoring, performance measurement, and oversight of ARTF since our 2018 report, in part by addressing SIGAR's 2018 recommendations. However, five significant issues remain as the Bank did not fully address SIGAR's recommendations. First, the Bank did not demonstrate that it expanded the physical verification efforts of its third-party monitors.<sup>2</sup> Second, although the Bank took steps to improve communication with and access to information for donors, the Bank did not give donors complete access to documents or provide required reports in a timely manner. Third, even though the Bank took some steps to address our recommendation to conduct performance evaluations and independent performance reviews of its third-party monitors, we found the completion of independent reviews to be infrequent and not useful for donors in decision making. Fourth, the Bank still did not adhere to its own performance measurement guidance. Fifth, the Bank did not make changes to allow donors to recover ARTF contributions.

In addition to those already identified by SIGAR, the Bank and donors identified two additional, persistent challenges related to ARTF management and oversight of the ARTF since SIGAR's 2018 report.

We are not making any recommendations due to the uncertain future of USAID assistance to the ARTF and because we previously made recommendations that, if addressed, would mitigate the issues we identify herein.<sup>3</sup>

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<sup>1</sup> SIGAR, *Afghanistan Reconstruction Trust Fund: The World Bank Needs to Improve How it Monitors Implementation, Shares Information, and Determines the Impact of Donor Contributions*, SIGAR 18-42-AR, April 19, 2018.

<sup>2</sup> The Bank reported that physical verification of Afghan government payrolls and employees was, for example, performed by checking the presence of the employee; his or her grade, position, and identification card details; and any amounts paid to the employee.

<sup>3</sup> A March 1, 2022, World Bank press release stated, "The World Bank Board of Executive Directors today approved an expanded approach to support the people of Afghanistan based on the request of Afghanistan Reconstruction Trust Fund (ARTF) donors and the international community. The approach will guide the provision of over \$1 billion in funds from the ARTF in the form of recipient-executed grants to selected United Nations agencies and international NGOs and will remain outside the control of the interim Taliban administration."



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

SIGAR received written comments on our draft report from USAID's Mission Director for Afghanistan and from the World Bank's Country Director for Afghanistan in February 2022, and reproduced them in appendices II and III, respectively.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with the *Quality Standards for Inspection and Evaluation*, published by the Council of the Inspectors General on Integrity and Efficiency.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

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## ABBREVIATIONS

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ACReMAP	Anti-Corruption and Results Monitoring Action Plan
ARTF	Afghanistan Reconstruction Trust Fund
ASIST	Advisory Services Implementation Support and Technical Assistance
CPPR	country portfolio performance reviews
FY	fiscal year
IW	investment window
MOF	Afghan Ministry of Finance
RCW	recurrent cost window
TPMA	third-party monitoring agent
USAID	U.S. Agency for International Development

International, multi-donor financial support was crucial to Afghanistan reconstruction efforts. Since its establishment in May 2002, the multi-donor Afghanistan Reconstruction Trust Fund (ARTF) was the largest contributor to the Afghan government's civilian budget. It supported both recurrent operating costs and development projects, with donors having paid approximately \$13 billion as of November 2021 into the ARTF to provide on-budget funding to the government. The World Bank (hereafter "the Bank") administered the ARTF. The objective of the ARTF was "to provide a vehicle for donors to pool resources and coordinate their support to the programme of the Government of the Islamic Republic of Afghanistan for the reconstruction of Afghanistan."<sup>4</sup>

Thirty-four donors, including the United States through the U.S. Agency for International Development (USAID), supported the ARTF. The Afghan government designated the Afghan Ministry of Finance (MOF) as the trust fund recipient representative. The United States was the largest contributor to the ARTF, having paid in over \$4.1 billion, or about 32 percent of total funding, as of April 2021.<sup>5</sup>

In our April 2018 audit report of the ARTF, we found

1. limitations on, and lack of transparency into, the Bank's and the Afghan government's monitoring and accounting of the ARTF placed billions of dollars at risk;
2. the Bank limited donors' access to information on how it monitored and accounted for ARTF funding, and the Bank did not follow its own policy to provide donors and the public with access to certain ARTF records;
3. the Bank did not consistently comply with its own guidance for measuring and reporting on ARTF development projects, and it was unable to accurately measure ARTF sector-level or overall performance;
4. the Bank and donors faced challenges holding the Afghan government accountable for ARTF implementation; and
5. the Bank and donors had no mechanism to withhold or recover ARTF funding, and did not use conditionality for the provision of funds to the ARTF.<sup>6</sup>

S. Rep. No. 116-126, accompanying the Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2020, directed SIGAR, "in coordination with the Inspectors General of the Department of State and USAID," to

conduct an assessment of the internal controls of multilateral trust funds for Afghanistan reconstruction that receive U.S. contributions, to include any third-party evaluations of the internal controls of the Afghan government ministries receiving assistance from multilateral trust funds, and SIGAR is directed to report to the Committee if access to records is restricted for programs funded with U.S. contributions.<sup>7</sup>

In response to S. Rep. No. 116-126, we initiated this evaluation to assess the steps USAID and the Bank took since our April 2018 report to improve the management, oversight, and internal controls of the ARTF. The objectives of this evaluation were to evaluate the extent to which USAID and the Bank took steps to (1) implement SIGAR's April 2018 recommendations, and (2) address any newly identified challenges to managing and overseeing the ARTF.

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<sup>4</sup> World Bank, "Standard Terms and Conditions Governing Contributions to the Afghanistan Reconstruction Trust Fund," October 2018, p. 1. On-budget funding was channeled through the Afghan government's core budget. It was provided to the Afghan government through several mechanisms, including direct bilateral assistance and contributions from multi-donor trust funds.

<sup>5</sup> World Bank, *Afghanistan Reconstruction Trust Fund (ARTF): Administrator's Report on Financial Status, As of April 20, 2021 (end of 4th month of FY 1400)*, 2021, p. 4. The United States contributed more to the ARTF than it did to any other multi-donor trust fund in the world.

<sup>6</sup> SIGAR, *Afghanistan Reconstruction Trust Fund*, SIGAR 18-42-AR, p. 23.

<sup>7</sup> S. Rep. No. 116-126, at 31-32 (2019).



To accomplish our objectives, we reviewed Bank and USAID ARTF grant award agreements, Bank-awarded third-party monitoring contracts, ARTF third-party monitoring reports (i.e., inception reports, quarterly, annual, end-of-contract), recipient-executed and Bank-executed activity reports, and independent reviews of third-party monitoring performance. We interviewed and reviewed information from current USAID and Bank officials assigned to Kabul, Afghanistan, and Afghan government officials in the MOF's Aid Management Directorate. We also interviewed donor country representatives from the United Kingdom, European Union, and Germany. We conducted our work in Arlington, Virginia; and Kabul, Afghanistan, from May 2020 through March 2022, in accordance with Quality Standards for Inspection and Evaluation, published by the Council of the Inspectors General on Integrity and Efficiency.

On August 15, 2021, following completion of substantive fieldwork for this audit, the Afghan government collapsed and the Taliban returned to power. In light of these events, the Bank halted ARTF funding and implementation. Although the future of the ARTF is uncertain, the U.S. government and international donors have stated their intention to continue supporting the Afghan people. In light of that intention, the findings and recommendations in this report may improve the performance and oversight of the ARTF in the event that disbursements resume.

## BACKGROUND

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In our 2018 ARTF report, we made five recommendations to the USAID Administrator to improve overall Bank management and oversight of ARTF funding. Those recommendations called for USAID to work with the Bank or other ARTF donors to (1) expand the scope of the Bank's field monitoring, (2) improve public transparency and donor access to information, (3) evaluate the performance of third-party monitors, (4) ensure the Bank adheres to its own performance management guidance, and (5) allow donors more flexibility in holding the Bank and the Afghan government accountable for ARTF implementation. Table 1 on the following page shows that USAID and the Bank concurred with three of the five recommendations, partially concurred with one, and non-concurred with another.

**Table 1 - 2018 SIGAR ARTF Audit Report Recommendations and Stakeholder Response**

Status of SIGAR 2018 Recommendations				
Rec. Number	Recommendation	USAID Response	World Bank Response	Rec. Closure Date*
1	Expand the scope of the Monitoring Agent's physical verification of Afghan government employees' salaries to include methods for performing verifications in insecure areas, and require the Monitoring Agent to use the verification results when calculating the eligibility rate.	Partially Concur	Partially Concur	3/25/2019
2	Plan and implement specific steps to improve donor access to information regarding how ARTF funds are managed, including addressing gaps in public records available online, and providing the donors access to the full, complete Monitoring Agent reports.	Concur	Concur	9/14/2018
3	Incorporate a requirement in the U.S. (USAID) ARTF grant agreement that the World Bank periodically conduct and share performance evaluations of the Monitoring Agent and Supervisory Agent with donors and the public.	Concur	Partially Concur	3/25/2019
4	Work with the World Bank 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.	Concur	Concur	9/14/2018
5	Allow donors to (a) cancel or adjust the scope of projects that are failing, in danger of failing, or that do not otherwise meet desired program objectives; (b) withhold or recover money from the Afghan government based on a project's performance or the Afghan government's implementation of the project; and (c) incorporate conditionality mechanisms into the ARTF funding scheme by linking funding to specific agreed-upon conditions.	Non-Concurrence	Non-Concurrence	9/14/2018

Source: SIGAR, Afghanistan Reconstruction Trust Fund, SIGAR 18-42-AR.

\*Note: This is the date SIGAR made a determination on whether the agency adequately addressed and implemented the recommendation.

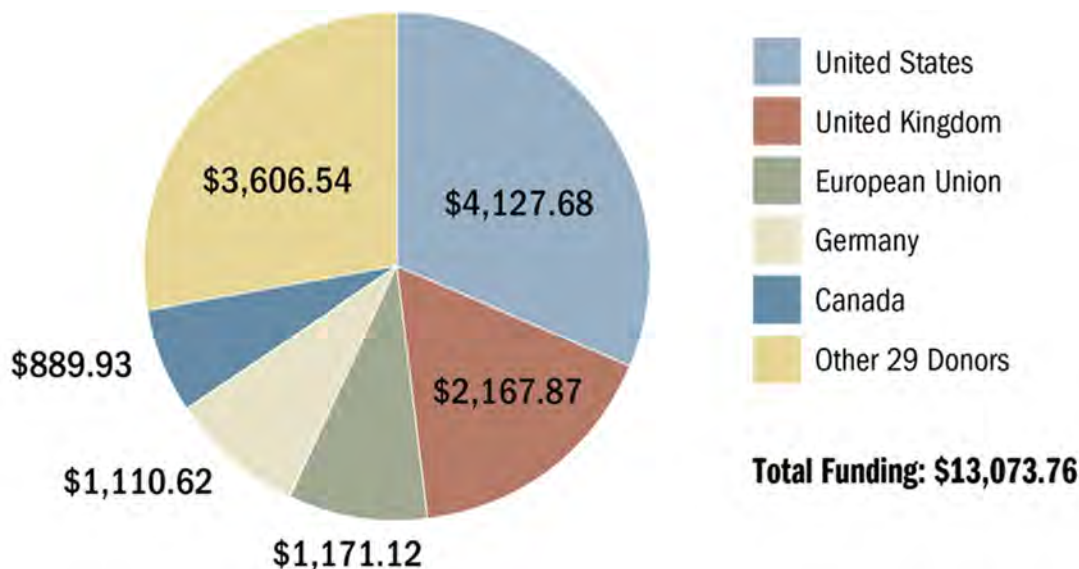
## ARTF Donor Funding

The USAID ARTF Grant Agreement No. 306-G-00-12-00016-00 (hereafter "USAID ARTF Grant Agreement") set the terms and conditions that governed U.S. involvement in the ARTF. USAID provided funding to the ARTF through grant contributions to the Bank. In its role as the U.S. donor representative for the ARTF, USAID was responsible for managing U.S. contributions to the fund. However, under the multi-donor trust fund mechanism, once the U.S. government and other donors provided contributions, the funds were comingled. As a result, the Bank did not report how individual donor contributions were used. In addition, because the Bank is designated as a public international organization, USAID relied on the Bank to monitor and account for ARTF funding.<sup>8</sup> The Bank provided ARTF donors and the public monthly financial reports that outlined the ARTF's overall financial status and allocation of funds.

<sup>8</sup> USAID's Automated Directives System 308, "Agreements with Public International Organizations," states that USAID is required to perform reviews of public international organizations to assess their capability of safeguarding USAID's resources and "highlight any significant concerns, considerations, or risks that should be taken into account in working with

Donors generally made annual funding pledges to the ARTF. Donors could not earmark their individual contributions for specific ARTF activities, but they could state preferences for up to 50 percent of their annual contribution. However, the Bank did not guarantee that the ARTF Management Committee, responsible for resource allocation decisions, will match or exceed donors' preferences.<sup>9</sup> See Figure 1 for information on the donors' contributions to the ARTF.

**Figure 1 - Donor Contributions Paid Into the ARTF From 2002 to 2021 (in US \$ Millions)**



Source: SIGAR analysis of World Bank data.

## ARTF Governance Structure

The following three entities governed the ARTF:

- **Steering Committee:** This committee was the primary oversight body for ARTF activities, and it functioned as the fund's decision-making body and set ARTF policy and strategy.<sup>10</sup>
- **Management Committee:** This committee reviewed and approved funding allocations and implemented the ARTF Financing Strategy, known as the Partnership Framework and Financing Plan.<sup>11</sup>
- **World Bank:** As the ARTF Administrator, the Bank was responsible for day-to-day fiduciary oversight and management of the fund, and it supervised development projects.

the PIO [public international organization]." For example, USAID has the ability to conduct reviews and evaluations of the Bank's programs to which USAID contributes funding, such as the ARTF.

<sup>9</sup> World Bank, "Standard Terms and Conditions..." October 2018, p. 6. The Management Committee consisted of representatives from the World Bank, the Asian Development Bank, the Islamic Development Bank, the UN Development Programme, and the MOF, with the UN Assistance Mission in Afghanistan and ARTF donors serving as observers.

<sup>10</sup> The Steering Committee consisted of the ARTF donors, the World Bank, and the MOF, with the Management Committee serving as observers.

<sup>11</sup> The Partnership Framework and Financing Plan was a rolling multi-year allocation plan that set the overarching strategic allocation of the fund for civilian recurrent cost expenditures, policy reforms, development programs, and service delivery initiatives. Prior to 2018, this framework was referred to as the "ARTF Financing Strategy."

## ARTF Finance Structure

Until 2018, ARTF funds were allocated to two primary Afghan government-managed “windows,” the Recurrent Cost Window (RCW) and the Investment Window (IW), which had separate, distinct priorities.<sup>12</sup> The RCW provided funding to the Afghan government for predictable, recurring, non-security-related Afghan government expenses, such as salaries for non-uniformed government employees and government operation and maintenance costs. The RCW financed programs through two main funding components: ARTF “baseline” funding and the Incentive Program.<sup>13</sup> The IW funded individual development projects that the Afghan government implemented to address priorities in the agricultural, rural development, infrastructure, human development, social development, technical assistance, and governance sectors. As of April 2021, the Bank reported that the IW had funded 63 projects since 2002 in support of Afghan government priorities, of which 20 remained ongoing at that time.<sup>14</sup>

Under the 2015–2017 ARTF Financing Strategy, the Bank added a Research and Analysis Program window, managed by the Bank, to support evidence-based policy research, sector-wide and thematic research, and impact evaluation. In 2019, the Bank replaced the Research and Analysis Program window with the Advisory Services Implementation Support and Technical Assistance (ASIST) window to allow the Bank to provide “longer-term, specialized technical expertise in priority sectors.”<sup>15</sup> In 2019, the Bank also formally established the Anti-Corruption and Results Monitoring Action Plan (ACReMAP) window to expand third-party monitoring of ARTF-financed operations.<sup>16</sup>

## ARTF Third-Party Monitoring Structure

The Bank contracted with two separate third-party monitoring firms to help monitor and oversee ARTF activities by serving as a monitoring agent and, prior to 2020, a supervisory agent.<sup>17</sup> The monitoring agent was the third-party monitor of the RCW and conducted desk reviews of expenditure paperwork and physical verification through site visits. The main responsibility of the monitoring agent was to determine the eligibility of ARTF-funded Afghan government salaries and recurring civilian operating expenses. The monitoring agent used representative samples to test the entire population of potentially eligible Afghan government expenditures and

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<sup>12</sup> “Window” is the term the World Bank uses to describe the activities eligible to be financed by the ARTF.

<sup>13</sup> ARTF “baseline” funding was established to provide predictable and transparent operating budget support for Afghan government expenses. ARTF baseline funding reimbursed the government up to a pre-determined annual funding cap for a portion of eligible, non-security-related expenses. The ARTF Incentive Program was established to incentivize the Afghan government to achieve greater fiscal independence and sustainability through increased domestic revenue-earning capabilities and strengthened financial management practices.

<sup>14</sup> “What We Do: Investment Window Projects,” ARTF website, accessed on April 14, 2021, <https://www.artf.af/what-we-do/investment-projects/active>. As of April 2021, the ARTF website reported 20 active Investment Window projects across priority sectors, such as agriculture, governance and state effectiveness, human capital, COVID-19 emergency response, infrastructure and connectivity, social cohesion, urban, and women’s economic empowerment.

<sup>15</sup> ARTF, “Afghanistan Reconstruction Trust Fund FY 1398 (2019) Update to the Partnership Framework and Financing Program: FY 1397–FY 1399 (2018–2020),” May 20, 2019, p. 10. In July 2021, in response to an early draft of our report, Bank officials told us that the Research and Analysis Program window still existed but was not “actively being used to finance Bank-executed activities.”

<sup>16</sup> The expansion of third-party monitoring was partly a result of recommendations from our 2018 report.

<sup>17</sup> The supervisory agent was Management Systems International. The monitoring agent was Binder Dijker Otte International (BDO LLP).

used the results to calculate an eligibility rate.<sup>18</sup> Additionally, in September 2018, the Bank expanded the role of the monitoring agent by requiring assessments of internal control systems associated with IW projects.<sup>19</sup>

The supervisory agent was the third-party monitor of the IW and was responsible for monitoring IW development projects and conducting asset verification, quality assurance, and data mapping. In the April 2019 supervisory agent contract, the Bank tasked the supervisory agent with supporting the monitoring agent by gathering civil servant verification data in hard-to-reach areas, data that would be used when calculating the RCW eligibility rate. The monitoring agent and supervisory agent conducted work under two separate contracts with two different contractors. As discussed in detail below, the Bank consolidated the work of the monitoring and supervisory agents into a single contract for all ARTF third-party monitoring activities on January 1, 2020.

## THE WORLD BANK IMPROVED MONITORING AND OVERSIGHT OF THE ARTF SINCE OUR LAST REPORT, BUT ISSUES REMAIN

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Since our last report, the Bank made revisions to the ARTF administrative agreement, based on our 2018 recommendations, that produced improvements to its monitoring and oversight of the ARTF. For example, the Bank completed an independent review of all ARTF monitoring contracts from 2015 to 2019, and posted the review on its public website. Additionally, the ARTF's Steering Committee endorsed the creation of two new funding windows in June 2018—the ACREMAP window and the ASIST window—to improve overall anti-corruption and results monitoring, and to provide technical support for selected national priorities (i.e., improving fiscal performance, promoting extractives development, and strengthening poverty monitoring and evaluation systems).<sup>20</sup>

Despite these improvements, the Bank did not fully address all of our 2018 recommendations. First, the Bank did not demonstrate that it expanded the physical verification efforts of its third-party monitors. Second, although the Bank took steps to improve communication with and access to information for donors, the Bank did not give donors complete access to documents or provide required reports in a timely manner. Third, even though the Bank took some steps to address our recommendation to conduct performance evaluations and independent performance reviews of its third-party monitors, we found the completion of independent reviews to be infrequent and not useful for donors in decision making. Fourth, the Bank still did not adhere to its own performance measurement guidance. Fifth, the Bank did not make changes to allow donors to modify ARTF contributions.

### The World Bank Improved Monitoring and Oversight of the ARTF Since 2018

The Bank made multiple improvements to its monitoring and oversight of the ARTF since our 2018 report. For example, in June 2018, the Bank phased out unconditional baseline funding to the RCW and began to provide funding through the incentive mechanisms, referred to as the Incentive Program Development Policy Grants for Afghanistan. According to the Bank, rather than the Afghan government receiving ARTF money on a recurrent

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<sup>18</sup> The Bank used the monitoring agent's calculated eligibility rate to determine what percentage of the Afghan government's submitted civilian expenditures the RCW would reimburse, and then paid the Afghan government that amount in a lump sum payment. (See SIGAR, Afghanistan Reconstruction Trust Fund, SIGAR 18-42-AR, p. 8.) In response to our draft report, World Bank told us that the eligibility rate "was calculated to enable comparison across years," but that the "eligibility ceiling" represents "the total amount of GoIRA [Afghan government] recurrent civilian expenditures eligible for ARTF financing."

<sup>19</sup> The expansion of the monitoring agent scope of work in September 2018 was partly a result of recommendations from our 2018 report. During our interview with the Bank in December 2020, a Bank representative stated that the monitoring agent scope of work was expanded in preparation for the next phase of work under a combined third-party monitoring agent contract in 2020, based on recommendations from stakeholders.

<sup>20</sup> World Bank, Afghanistan Reconstruction Trust Fund Amendment No. 28 to Letter Agreement, October 8, 2018, p. 2.

basis for simply functioning at a baseline level, the change provided funding through grants under the RCW based on the Afghan government achieving prescribed policy benchmarks.

Additionally, with the ARTF Steering Committee's endorsement, the Bank updated the ARTF financing structure in October 2018 by adding two funding windows: the ACREMAP window and the ASIST window. The ACREMAP window funded efforts to improve results monitoring and provide fiduciary oversight support. The ASIST window provided enhanced advisory services, implementation support, and technical assistance to key national priority sectors.<sup>21</sup> In total, these two windows were allocated 3 percent of the ARTF financing, or approximately \$75 million, from 2018 to 2020.<sup>22</sup>

In January 2020, the Bank financed a new competitively procured third-party monitoring contract through the ACREMAP window that consolidated the monitoring agent and supervisory agent third-party monitoring contracts into an integrated, single contract. The Bank awarded this third-party monitoring agent (TPMA) contract to BDO LLP, which required BDO LLP to perform both financial and field monitoring of the RCW and IW. Bank officials told us that they consolidated the two third-party monitoring contracts into one contract "to reduce the transaction costs, streamline contract management, and have an impact on the cost of TPMs [third-party monitors]," and to "better integrate the findings from the financial and physical" monitoring activities. The contract also included support for conducting periodic fiduciary reviews of ARTF-financed operations. These combined efforts resulted in improved monitoring and oversight of the ARTF since our 2018 report, but the Bank did not implement all our recommendations and issues remained with physical verification, information sharing, performance evaluation, adherence to policy, and fund flexibility.

## **The World Bank Could Not Demonstrate How Physical Verification Observations Were Incorporated into Payment Calculations, or the Extent to Which It Expanded Physical Verification into Remote Areas**

Our 2018 report found discrepancies between what the June 2016 monitoring agent's Terms of Reference required and the monitoring actions that were being carried out.<sup>23</sup> The June 2016 Terms of Reference required the monitoring agents to oversee ARTF payments and reimbursements for eligible Afghan government expenditures, review Afghan expenses for compliance with government and ARTF requirements, conduct site visits to government offices, provide assurance that Afghan data provided was in compliance with eligibility criteria for receiving reimbursement, and verify payrolls against an Afghan civil service headcount database. In particular, the Terms of Reference required the monitoring agent to "substantiate validity and eligibility" of employees' salaries submitted to the Bank for review and ARTF reimbursement.<sup>24</sup> We also found a lack of reasonable assurance that the RCW, which paid for approximately 40 percent of all Afghan government civilian expenditures, was reimbursing only proper government expenditures; the monitoring agent's physical verification work did not inform the calculated eligibility rate; and security issues prevented the monitoring agent from visiting certain locations to perform physical verification and sampling.

As a result of our findings, the first recommendation in our 2018 audit was for USAID, in coordination with the Bank, to expand the scope of the monitoring agent's physical verification of Afghan government employees' salaries, including methods for performing verifications in insecure areas. We also recommended that the monitoring agent use the verification results when calculating the eligibility rate. USAID and the Bank partially

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<sup>21</sup> World Bank, Amendment No. 28 to Letter Agreement, October 8, 2018, p. 2.

<sup>22</sup> ARTF, "Afghanistan Reconstruction Trust Fund Partnership Framework and Financing Program FY 1397–FY 1399 (2018–2020)," June 25, 2018, p. 41.

<sup>23</sup> Our 2018 audit reviewed the June 2016 MA Terms of Reference because this was the current document at the time outlining the monitoring agent's objectives, approach, and scope of services as assigned by the Bank.

<sup>24</sup> World Bank, "Terms of Reference," Contract No. 8005616, awarded to BDO LLP, June 2016, p. 1.

concluded with this recommendation, and in response, USAID stated that the Bank would expand physical verification and include more civil servants.

The Bank took some steps since 2018 to increase the scope of the third-party monitor's physical verification work, including in insecure areas, and link verification outcomes to payment eligibility rates. For example, the Bank's January 2020 TPMA contract updated the RCW's procedures for monitoring expenditures and determining their eligibility for ARTF financing, and required the TPMA to "(i) conduct a thorough review of civilian recurrent expenditures on a sample basis and offer assurance of their value for money and fiduciary compliance with applicable [the Afghan government] and [World Bank] rules and (ii) determine the eligibility rate for ARTF financing following the eligibility criteria..."<sup>25</sup>

To implement these requirements, a Bank official told us that the TPMA increased the sample size for physical verification of civilian employees and updated procedures to require detailed explanations in cases where employees could not be reached during physical verification. Additionally, when employees were absent during physical verification, the TPMA reconciled payroll records to verify proper payroll deductions.

To increase the scope of the third-party monitor's physical verification work, the contractor's inception report in March 2020 report stated that physical verification would be conducted across all 34 Afghan provinces, including insecure areas. In addition, the Bank's 2020 TPMA contract called for a review of Afghan civil servant hiring procedures and options for enhanced data management for third-party monitoring, specifically for financial monitoring under the RCW. Furthermore, the contract required the third-party monitor to provide quarterly and annual reports related to monitoring activities, as well as monthly progress updates.

Despite the improved requirements outlined in the 2020 TPMA contract, the Bank did not provide evidence demonstrating how physical verification results were incorporated into the eligibility rate, how many provinces were visited, or how it expanded the scope of physical verification to insecure and hard to reach areas.

First, although the January 2020 TPMA contract stated that the "results of the physical verifications should be included in the calculation of the eligibility rate," USAID officials told us that they could not confirm or explain how the Bank incorporated physical verification results in the calculation of the eligibility rate since 2018; the USAID officials acknowledged that the Bank could improve how it documented and reported its methodology for using the results of physical verification to calculate eligibility rates.<sup>26</sup> ARTF records did not provide clear details or data for ARTF stakeholders, including USAID. For example, the Bank did not explain how the physical verification of sampled payroll vouchers and the extrapolated results across all payroll vouchers informed the eligibility rate calculation; the Bank provided the donors with the 2020 RCW Quarter 3 report in May 2021, which stated that the eligibility rate was 74.99 percent, but the report does not explain how, if at all, the physical verification results were incorporated into the rate.<sup>27</sup> In a December 2020 interview, Bank officials explained to us the methodology used for incorporating the physical verification results into the eligibility rate, and stated that the monitors combined the financial transaction review results with the physical verification review results, and extrapolated the eligibility rates. However, the RCW quarterly reports, which are a contractual agreement to provide donors with "quarterly ex post evaluation of activities" undertaken by the monitoring agent do not inform donors how the results are combined between the two types of reviews and then extrapolated to arrive at the final eligibility rate.<sup>28</sup>

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<sup>25</sup> World Bank, "Afghanistan Reconstruction Trust Fund Third Party Monitoring Terms of Reference," January 1, 2020–December 31, 2021, p. 5.

<sup>26</sup> Based on a June 2020 handout from the third-party monitor to members of an ARTF financial advisory and strategy group, physical verification results were included in the eligibility rate through "the eligibility rate calculation of Payroll Based Salary expenditures... Any ineligibility arising out of physical verification is incorporated into the overall payroll expenditure verification results. Extrapolation of the combined results from physical verification and expenditure verification is done to determine the overall eligibility rate in payroll." World Bank, "Afghanistan Reconstruction Trust Fund Third Party Monitoring Terms of Reference," January 1, 2020–December 31, 2021, p. 7.

<sup>27</sup> BDO LLP, *Recurrent Cost Window Quarterly Monitoring Report for Q3 FY 1399*, March 2021, p. 5.

<sup>28</sup> World Bank, "Standard Terms and Conditions Governing Contributions to the Afghanistan Reconstruction Trust Fund," October 2018, p. 9.

In response to our draft report, the Bank requested we note the Bank's opinion that "there is no evidence the Bank failed to provide clarifications requested by USAID or any other partner." However, the Bank did not explain why it needed to emphasize this point, or why it would not further improve reporting only because no ARTF partner has requested this clarification.

Second, we found delays, a lack of detail, and discrepancies within ARTF reporting related to the number of provinces visited for physical verification since the start of the 2020 TPMA contract. For example, the Bank did not release RCW quarterly reports to donors detailing physical verification work from January to September 2020 until 8 months later in May 2021. The Bank stated that although the ARTF Standard Terms and Conditions do not specify a timeline for the release of the quarterly reports, they have internal deadlines to produce the quarterly reports within 1 quarter after the reporting quarter. The Bank told us that the delay resulted from high demands on the 2020 TPMA contract and stopping physical verification work between March and September 2020 when the COVID-19 pandemic caused government offices and schools to close. Additionally, in an effort to expand the scope of physical verification, the contractor's inception report in March 2020 stated that the monitors would rely on staff in all 34 provinces. However, we found that RCW reporting lacked information specifically detailing the monitors' coverage of physical verification throughout the provinces in Afghanistan. For example, the 2020 RCW Quarter 3 report (covering July 2020–September 2020) noted that the TPMA visited 21 of 34 provinces during the reporting period to conduct the full range of RCW monitoring (i.e., monitoring for payroll-based salary expenditures, non-payroll-based salary expenditures, and operations and maintenance), but did not delineate how many provinces were visited specifically for physical verification efforts.<sup>29</sup> We also observed discrepancies in the reported number of provinces the TPMA reached for physical verification. For example, the Bank disseminated a third-party monitoring brief to ARTF donors on June 28, 2021, which stated that the TPMA had conducted physical verification in all 34 provinces from January 2020 to March 2021.<sup>30</sup> However, the Bank's response to an early draft of this report stated that the TPMA had conducted physical verification in 30 of the 34 provinces during that period.

Third, the Bank could not provide evidence on how the monitors expanded the scope of physical verification into insecure and hard to reach areas. The 2020 TPMA contract required the third-party monitor to perform financial and field monitoring tasks in remote and insecure areas of Afghanistan, while also providing for the physical safety of the monitoring teams.<sup>31</sup> The contractor's inception report in March 2020 outlined new tools that the monitoring team would use to reach remote areas and areas affected by COVID-19. The methods outlined included "phone-based monitoring and survey techniques" and "developing a model for rolling phone-based reporting," as well as "community-based progress reporting to supplement the work of the Physical Monitoring staff."<sup>32</sup> However, in subsequent quarterly reporting, the monitors did not record the tools or methods used to expand the reach of physical verifications within the provinces in general, nor did they specify methods used to reach insecure and hard to reach areas during the reporting period or in aggregate. Specifically, the 2020 RCW Quarter 3 report noted that physical verification could only be performed in areas that were considered safe for staff to visit, but the reports did not provide information on the methods used to access hard to reach areas while maintaining the staff's safety.

Because the Bank and USAID did not have details on how much physical verification work increased and improved since 2018, or how those efforts helped determine whether ARTF funding supported eligible Afghan expenses, limitations remained in the Bank's ability to monitor ARTF funding and provide reasonable assurance that ARTF paid for only appropriate work and salaries.

In response to our draft report, the Bank stated, "It is correct that the TPMA's reports do not detail which insecure/hard to reach areas it reached for physical verification of civil servants. However, neither the ARTF AA

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<sup>29</sup> BDO LLP, *Recurrent Cost Window Quarterly Monitoring Report for Q3 FY 1399*, March 2021, p. 10.

<sup>30</sup> BDO LLP, "Third Party Monitoring in Afghanistan," brief provided to ARTF donors, June 28, 2021, p. 10.

<sup>31</sup> World Bank, "Afghanistan Reconstruction Trust Fund Third Party Monitoring Terms of Reference," January 1, 2020–December 31, 2021, pp. 15–16. The TPMA is responsible for organizing field monitoring teams to conduct site visits to supervise monitoring activities and compliance with the Bank's and Afghan governments requirements.

<sup>32</sup> BDO LLP, *Third Party Monitoring Inception Report*, March 2020, p. 57.



[Administrative Agreements], nor the TPMA's contract with the Bank, nor other identified criteria require the TPMA to detail this point [which insecure/hard to reach areas it reached] in its reports."

## The World Bank Improved Communication with Donors and Their Access to Information, But Issues Persisted with Making Records Public

Our 2018 report found that the World Bank had (1) limited donor access to information on how it monitored and accounted for ARTF funding, and (2) not followed its own policy to provide donors and the public access to ARTF records that should be publicly available.

We recommended that USAID, in coordination with the Bank, implement specific steps to improve donor access to information to address these issues. Our recommendation included addressing gaps in public records available online, and providing the donors access to complete monitoring agent reports. USAID and the Bank concurred with this recommendation, and USAID stated that it would work to allow greater access to information.

We found that the Bank and USAID took some steps to address this recommendation, but issues with records completion and availability continued. Since we issued our report, the Bank began sending weekly emails to provide donors with updates on ARTF activities, highlight important meetings, and disseminate progress reports. The Bank also began providing donors, but not the public, with financial reports it previously would not share.<sup>33</sup> The Bank restructured the ARTF public website to be more user-friendly, and created a new staff position dedicated to information sharing and donor coordination to help ensure donors received information and responses to their questions in a timely manner.

However, issues remain with record access on the ARTF website. For example, we found broken links on the ARTF public website making some documents and reporting inaccessible, as well as links that led to the wrong documents. In addition, according to the ARTF Standard Terms and Conditions, the Bank agreed to provide donors with quarterly reports on the activities performed by the monitoring agents.<sup>34</sup> However, we found significant delays in the Bank's release and public posting of the required reports. For example, the Bank did not release the 2020 IW Quarter 1 (January to March) or Quarter 2 (April to June) reports for field monitoring until December 2020. Bank officials attributed the 6- and 3-month delays in releasing the quarterly reports to the COVID-19 pandemic and contracting demands. Similarly, the Bank did not provide donors with the first three required 2020 RCW quarterly reports for financial monitoring until May 2021. The delay of the 2020 RCW quarterly reporting amounted to a 5- to 11-month delay in releasing the quarterly reports; the report for the fourth quarter was still unreleased when we completed substantive fieldwork for this evaluation in July 2021. In response to our draft report, the Bank stated that "it is correct that the World Bank aspires to disseminate these reports within three months, but this is not a fixed standard against which performance can be assessed in an audit context." We reported examples where the Bank did not meet its own suggested internal reporting timelines, regardless of whether these timelines were "a fixed standard" or not; furthermore, we already note the Bank's explanations for these delays.

Similarly, donors told us there was a significant time lag in the Bank's release of annual "Scorecard" reports, which hindered donors' ability to use the reports to complete their own reporting requirements on ARTF progress.<sup>35</sup> Bank officials told us that there was not an established timeline for releasing the annual

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<sup>33</sup> Our 2018 report noted the World Bank, per its access to information policy, did not share with donors or the public information that the Bank considered to be "deliberative" and "restricted: confidential," such as Afghan government financial and budgetary records. In response to our draft report, World Bank stated that it did not previously share detailed annexes of quarterly financial Monitoring Agency reports, but began to share them with donors in 2018 at the request of USAID.

<sup>34</sup> The World Bank, "Standard Terms and Conditions Governing Contributions....," October 2018, p. 9.

<sup>35</sup> The Bank's annual "Scorecards" provide information on the ARTF's overall performance and results achieved, including performance and results at the ARTF development sector level, such as agriculture, rural development, and infrastructure. A Scorecard is supposed to aggregate ARTF progress across the ARTF portfolio using key sector-level performance indicators that measure outputs and outcomes.

Scorecards, but that the Bank “would like to have the scorecards produced six months after the end of the calendar year.” We found that the 2018 and 2020 Scorecard were released within 6 months of the new year, but the 2019 Scorecard took 11 months to release. In an effort to improve the timeliness of reporting, a Bank representative stated that the Bank was updating the Administrative Agreement to include a results framework for the ARTF, and that the Bank is “committing to an annual reporting product;” however the agreement “will not have a specific timeline for reporting due to the uncertainties around the timing of the national level data that the World Bank publishes in the scorecard.” The new Administrative Agreement was endorsed by the Steering Committee in September 2020, but as of July 2021, it had not been approved by donors. The unofficial version of the refreshed Administrative Agreement included a results framework and regularized annual written progress reports, which “shall be provided with reference to the results framework agreed by the Bank and Donors.” However, one donor we spoke with told us that releasing a Scorecard 6 months after the end of the year was still not timely enough to inform their internal decision-making processes.

The Bank did not specifically explain why some reports are still missing or incorrectly linked on the public ARTF website. However, Bank officials told us that the delay in producing and publishing third-party monitoring reports on time resulted partially from COVID-related factors restricting the third-party monitors from performing their work, and from delays in initiating the January 2020 TPMA contract.

As donors told us, the gap in third-party monitoring reporting caused a lack of clarity on the ARTF’s monitoring efforts. One donor stated that the Bank focused more on the implementation of projects than on the monitoring of projects. These delays and gaps in reporting persisted despite steps the Bank took to improve communication, and left donors and the public less informed. Without timely, readily available information on the performance of the ARTF and the outcomes of ARTF projects, donors lacked information necessary to inform decision-making and request real-time adjustments throughout implementation.

In response to our draft report, the Bank stated that it corrected the issues we identified and shared with the Bank in July 2021 regarding missing and incorrect links to the public ARTF website. Upon further review, however, we found two of the nine issues about which we notified USAID and the Bank were still unresolved. First, a hyperlink pulled an incorrect file. Second, a document the Bank referenced was not found on the ARTF’s project page website or Bank’s document repository.

The Bank further stated that it

acknowledges that reporting timelines have been a concern for some ARTF donors and remains committed to working with donor partners to support the information requirements of donors’ internal processes to the extent feasible. However, this issue does not appear to be a suitable basis for an audit/evaluation standard owing to the lack of a defined standard or timeline for producing the Scorecard, which is at present a voluntary product.

We disagree that this issue cannot be evaluated and provide examples in this report where the Bank did not meet its own suggested guidelines and timelines. The Bank also commented, “It is correct that gaps and delays in reporting can leave donors and the public less informed than they might otherwise be...it is incorrect to suggest, as the text does, that the gaps and delays SIGAR reports left donors without timely information on project performance and outcomes.” We disagree with the interpretation that delays can leave donors and the public less informed, but not also impact timely dissemination of information. A donor we interviewed told us that reporting delays left its government with less information for its decision-making processes. Furthermore, the Bank even suggested in its comments on our draft report to change the title of this section to note that “some issues persisted with *timely* completion of public reporting” [emphasis added].

## The World Bank Addressed the Requirement that It Share Its Evaluations of the Third-Party Monitors, But the Lack of Periodic Independent Reviews Created Gaps in Performance Monitoring

Our 2018 ARTF audit found that the Bank and donors lacked necessary information to evaluate the third-party monitors' performance. The 2012 USAID ARTF Grant Agreement governing the assistance relationship between the World Bank and the U.S. government, stated that the Bank will "be responsible to supervise the performance" of the monitoring agent and the supervisory agent (the third-party monitors), but will "have no responsibility to donors with respect to the performance" of the monitoring agent and the supervisory agent, and "will have no obligation to reimburse" the ARTF or donors because of poor performance.<sup>36</sup> The USAID ARTF Grant Agreement specified

the Bank will perform ex-post evaluations of the activities undertaken by the Monitoring Agents, and will, upon completion of the activities financed under the Trust Fund, arrange for an independent review of the performance of the Monitoring Agents and report its findings to the Donors.<sup>37</sup>

The agreement also stated that the Bank would provide a final report to donors within 6 months of the completion of activities or full disbursement of funds along "with a copy of the independent review of the performance of the Monitoring Agent(s)."<sup>38</sup> Despite the requirements outlined in the USAID ARTF grant agreement, the Bank's third-party monitoring reports and performance assessments were not completed or timely shared, which hindered donor understanding of the monitors' performance and delayed improvements to monitoring activities.

To address these issues, we previously recommended that USAID, in coordination with the Bank, incorporate a requirement in the USAID ARTF grant agreement that the Bank periodically conduct and share performance evaluations of the third-party monitors with donors and the public.<sup>39</sup>

However, USAID and the Bank did not include such language in the October 2018 ARTF Grant Agreement's Standard Terms and Conditions. Instead, the language regarding third-party monitors' ex-post evaluations, independent reviews, and completion reports on third-party monitors' performance remained the same as the 2012 USAID ARTF grant agreement. Further, the steps taken by USAID and the Bank since our 2018 report have not fully addressed this lapse in performance evaluation and reporting. Specifically, we found that after the completion of the 2019 monitoring agent and supervisory agent contracts, one performance evaluation report was compiled for each contractor.<sup>40</sup> However, the third-party monitors conducting the work completed their own reports and, therefore, they were not independent evaluations as specified in the USAID ARTF grant agreement. In November 2020, USAID told us that the Bank commissioned an independent review of the third-party monitors' activities under the contracts from 2015 through 2019. In December 2020, Bank officials told us they developed the terms of reference for this independent report in consultation with the donors. In

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<sup>36</sup> USAID, "USAID Contribution to the Afghanistan Reconstruction Trust Fund ('ARTF') No. TF050576," USAID Grant Agreement No. 306-G-00-12-00016-00; World Bank Letter Agreement No. EEE-G-00-02-00025-00, March 31, 2012.

<sup>37</sup> USAID, "Amended and Restated Standard Provisions Applicable to the Afghanistan Reconstruction Trust Fund," USAID Grant Agreement No. 306-G-00-12-00016-00, March 31, 2012, p. 9.

<sup>38</sup> USAID, "Amended and Restated Standard Provisions..." USAID Grant Agreement No. 306-G-00-12-00016-00, p. 13.

<sup>39</sup> In response to our draft report, the Bank stated that "USAID concurred with this recommendation and cited Section 6(b) of the 2021 USAID grant agreement to confirm that the language was in place." We disagree with the Bank's interpretation of the facts. In our 2018 ARTF report, USAID reported that it "considers this [recommendation 3] a beneficial step for monitoring, and has already *partly* reflected it in Section 6(b) of the 2012 USAID-World Bank ARTF agreement...In the next modification to USAID's agreement with the World Bank, USAID will require the World Bank to conduct periodic performance evaluations..." [emphasis added]. We noted in the 2018 report that we needed to see information confirming that USAID "will modify its next grant agreement with the World Bank to require the Bank to conduct periodic performance evaluations of the monitors..." As we report here, this did not happen. See SIGAR, Afghanistan Reconstruction Trust Fund, SIGAR 18-42-AR, April 2018, pp. 24 and 34.

<sup>40</sup> The supervisory agent completion report appears on the ARTF public website, while the monitoring agent report has been disseminated only to donors because the Bank deemed the information sensitive, pursuant to its own access to information policy.

January 2021, the independent review was posted on the ARTF public website. However, requiring an independent review only at the end of a third-party monitor contract limited the Bank's and donors' abilities to gain important external feedback on the monitors' performance and identify areas for improvement during the period of performance. Our findings reiterate the conclusion in our April 2018 report that not including a regular frequency component in the grant agreement causes donors to miss information that could have been helpful in determining how to improve future monitoring efforts.

In response to our draft report, the Bank stated, "There are no criteria identified (either in contract or from other sources) against which the frequency of evaluations of third-party monitoring can be assessed as limiting donors' ability to assess the ARTF third-party monitoring program, and there is no evidence that more frequent reviews were requested."

## The World Bank Did Not Fully Adhere to its Own Performance Measurement Guidance

We previously reported that the Bank did not measure the performance of ARTF IW projects and could not accurately measure ARTF performance overall or at the sector level. The Bank's guidance identified the importance of measuring the performance of the ARTF projects and assessing the fund's achievements against stated objectives. However, we reported that the Bank did not (1) develop performance indicators in accordance with its own guidance, (2) consistently provide specific quantitative or qualitative status information for performance indicators, or (3) provide clear support or justification for the performance and progress ratings it gave projects. We recommended in our 2018 audit that the Bank adhere to and implement its performance measurement guidance when measuring the performance of the ARTF and its development projects.

The Bank has taken steps to expand performance measurement of IW projects, according to Bank officials. For example, under the January 2020 TPMA contract, the Bank expanded the third-party monitoring to all IW projects, which comprised approximately 23 projects, a substantial and important increase from the third-party monitoring of 8 projects in 2018 and 11 projects in 2019.<sup>41</sup> Furthermore, in 2019, the Bank expanded third-party monitoring of the IW portfolio to include service and skills development projects, in addition to infrastructure projects. A Bank official told us that the January 2020 TPMA contract helped improve the performance measurement of ARTF projects by including a framework that assessed project specification, environmental and social safeguards, and quality of infrastructure construction on a scale of 1 to 5, with higher numbers meaning higher performance satisfaction. In December 2020, the Bank reported that during the TPMA's site visits for IW projects, third-party monitors recorded "observations" related to infrastructure projects, and assessed progress and quality of work.<sup>42</sup> The TPMA improved the observation rating scale by adding a new category of "critical" to alert the Bank of any life-threatening or other severe situations that needed immediate attention.<sup>43</sup>

However, the Bank still did not adhere to its own performance measurement guidance despite these improvements. We assessed the same six IW projects reviewed during our prior audit to determine what, if any, improvements the Bank made in its performance management practices, and what challenges persisted in

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<sup>41</sup> BDO LLP, *Third Party Monitoring Inception Report*, March 2020, p. 83. The number of active IW projects can change throughout a contract as projects close and new projects open. Therefore, the number of projects monitored in the 2020 TPMA contract is approximate.

<sup>42</sup> BDO LLP, *Quarterly Management Report Investment Window July to Sept 2020*, December 2020, p. 10. "Observations" were defined as deviations when issues were found during infrastructure assessment or the quality of work review. The scale for deviations included (i) Critical: a deviation that "could lead to injury or death for current workers or future users, or to failure of the sub-project as a whole;" (ii) Major: a deviation "that is not life-threatening but affects the structural integrity or overall sustainability of the sub-project;" and (iii) Minor: a deviation that "is often cosmetic and not affecting structural integrity, usability, or sustainability."

<sup>43</sup> In July 2021, in response to an early draft of our report, Bank officials also told us that the Bank, with the help of the Afghan Ministry of Finance, disseminated project "Aide Memoires and Management Letters" to donors through weekly emails to help ARTF donors understand the Bank's project performance ratings.

measuring the performance of ARTF projects.<sup>44</sup> We found that many of the qualitative issues we identified in 2018 were not yet resolved. Specifically, we found that the implementation status and results reports did not provide important performance management information, lacked explanation of performance indicators, and did not contain project narratives that were specific and complete with measurable, attributable, realistic, relevant, and time-bound information.<sup>45</sup>

In addition, project implementation status and results reports were not completed in accordance with the Bank's quantitative requirements. The Bank's guidance recommended that its staff produce implementation status and results reports every 6 months for each IW project. However, we found that 12 of 15 reports we reviewed were not produced within this 6-month timeframe; gaps between reports ranged from 7 months to 11 months.<sup>46</sup> The Bank's guidance also recommended that its staff produce implementation completion and results reports within 6 months of a project's completion date. We found that three of the implementation completion and results reports were completed more than 6 months after project completion, ranging from 7 months to 9 months after the project completion date. In July 2021, Bank officials told us

Timely completion of ICRs [implementation completion and results reports] is important, but, the ultimate objective is to ensure that the final ICR [implementation completion and results reports] report reflects an accurate and thorough self-assessment. In Afghanistan's difficult operational context, the time required to finalize data and other factors can provide reasonable justifications for extending ICR [implementation completion and results reports] timelines.

Although the Bank told us it had taken some steps to improve its reporting in the annual ARTF scorecard since 2018—such as increasing the narrative on project progress, integrating annual ARTF financial reporting into the report, and combining reporting to make it more user friendly—several donors told us that they still had significant concerns about the Bank's annual ARTF scorecard. For example, donors said the performance metric results in the Scorecard are overly complicated and inconsistent. A Bank representative acknowledged persistent issues obtaining data inputs, and stated that the Scorecard had included country-level indicators that were not current because they relied on the Afghan government's release of data. Donors also told us the Scorecard lacked a clear “theory of change” model and results framework needed to effectively assess the performance of the ARTF portfolio.<sup>47</sup> In response to our draft report, the Bank stated that it “had taken steps to

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<sup>44</sup> We analyzed a total of 19 implementation status reports and implementation completion reports across these six projects. In response to an early draft of this report, the Bank suggested we also review the implementation completion and results report reviews issued for projects since our 2018 report. These reports assess project “quality at entry and quality of supervision,” to determine if the Bank identified and resolved threats to achievement goals. However, these reports are compiled only after the project has closed. In our analysis, we reviewed implementation status reports to understand how intermediate progress reporting was being conducted and assessed while the project was active, as well as the completion reports to capture the retrospective reviews of the project's progress and outcomes. In response to our draft report, the Bank stated, “Four of the six projects SIGAR reviewed had closed before SIGAR 18-42 was published. Only two of the six projects, with a combined ARTF contribution value of US\$260 million, remained open after publication of SIGAR 18-42.” Although this point is correct, it misrepresents our reporting scope on the 2018 report. The 2018 report only considered information we received from the Bank for the six projects as of January 2017, over a year prior to the release of the report.

<sup>45</sup> The Bank has guidance for measuring and reporting on the performance of ARTF development projects. For example, the Bank's “Investment Project Financing—Preparing the Project Appraisal Document” states that project performance indicators should be specific, measurable, attributable, realistic, relevant, time-bound, and should include performance baselines and targets. In response to our draft, the Bank stated that the “Investment Project Financing—Preparing the Project Appraisal Document” has been superseded by “Bank Guidance: Preparing the Project Appraisal Document (PAD) for Investment Project Financing (IPF),” from May 2018. The Bank did not provide a copy of the guidance, so we cannot assess if this guidance provides additional information on performance indicators.

<sup>46</sup> In response to our draft report, the Bank added that it performed its own “assessment” of 152 implementation status and results reports—representing all implementation status and results reports published from April 2018 through July 2021 for ARTF-financed projects as of 2018. The Bank reported that its review “revealed an average of 196 days between publication [of implementation status and results reports], just under two weeks beyond the target six-month period.” Although we appreciate the Bank's assessment, again, we cannot verify the accuracy of the information, and it includes information outside of our reporting scope and methodology. Finally, the Bank's own assessment reports that the average time for publication still did not meet its own 6-month timeframe guidance with reports after our reporting scope.

<sup>47</sup> According to one donor, the theory of change model leads to the development of a results framework.

make the Scorecard an annual commitment of the Bank by working to amend the administration agreement.” However, as the Bank noted, this agreement and associated amendments were not yet approved.<sup>48</sup> The Bank paused ARTF work and disbursements after the Taliban takeover in August 2021.

In response to an early draft of this report, Bank officials stated that the Bank’s performance management guidance was not mandatory and Bank staff may elect not to use it.<sup>49</sup> However, the officials also noted that to help address our 2018 recommendation that donors work with the Bank to help ensure projects adhere to World Bank standards, the ARTF Steering Committee adopted the ARTF Partner Engagement During Project Preparation protocol in May 2019 to improve project performance monitoring and collaboration between the Bank, donors, and Afghan government during the project design process.<sup>50</sup> This protocol allowed donors the opportunity to provide input on project indicators and results frameworks at multiple points in the project design process.

As we reported in 2018, the Bank’s inconsistent implementation of performance management standards and guidance has been a recurring problem. These implementation issues prevented the Bank and ARTF donors from fully and accurately assessing the performance of—and making informed decisions about—approximately \$2.26 billion in donor funding spent on the six projects we assessed for this evaluation.

## The World Bank Did Not Make Changes Allowing Donors to Recover ARTF Funds

Our 2018 report found that pursuant to the ARTF multilateral structure, the Bank and donors had limited options for adjusting poor performing projects once funds were provided to the government. Only the Afghan government, as the recipient of ARTF funding, had the authority to decide what projects to scale back, discontinue, or redesign. Additionally, we found that the ARTF did not have a mechanism for donors to recover funds due to concerns with ARTF implementation or lack of progress. The ARTF also did not have a mechanism to place and enforce conditions on funding.<sup>51</sup> Donors could not earmark their individual contributions for specific ARTF activities, although they could state preferences for up to 50 percent of their contribution. However, the ARTF Management Committee, which is responsible for resource allocation decisions, did not guarantee that donor preferences would be honored. Furthermore, we previously reported that a senior aide to then-President Ghani told us that the structure of the ARTF allowed for ill-conceived projects to be funded because there is no repayment obligation, and dysfunctional projects were nearly impossible to eliminate. The senior aid also said that there was political pressure to spend ARTF funds or risk losing future funding, even if the programs and projects being funded were ill-conceived or unneeded.

To address these issues, we recommended USAID, in coordination with the Bank, allow donors to (a) cancel or adjust the scope of projects that were failing, in danger of failing, or that did not otherwise meet desired

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<sup>48</sup> The amended agreement was sent to donors in September 2020. In July 2021, the Bank was still waiting for donors to sign it.

<sup>49</sup> In response to our draft report, the Bank emphasized again that this guidance is not mandatory, writing, “Guidance materials may consist of recommended courses of action, best practices, and other information, templates, or examples to assist staff.” We note this explanation, but do not understand why the Bank seeks to justify not following its own suggested guidance.

<sup>50</sup> ARTF, “Afghanistan Reconstruction Trust Fund FY 1398 (2019) Update to the Partnership Framework...,” May 20, 2019, p. 48.

<sup>51</sup> In July 2021, Bank officials stated that the ARTF had “incentivized results-based” instruments that are examples of using “conditionality,” such as ARTF’s 2018–2020 Partnership Framework and Financing Program. As we discussed in our April 2018 ARTF audit report, we disagree with the Bank’s assertion that its incentive program is an example of conditionality. As we responded to the Bank’s formal comments in our 2018 report, “To the contrary, our report acknowledges in detail that the Bank can withhold funding from particular projects and activities, such as the Incentive Program [now, the Partnership Framework and Financing Program]. However, the World Bank then fails to recognize the distinction we made that the funds the Bank withholds from particular projects or activities are then put into the broader ARTF account to be spent elsewhere. The funding is not withheld from the ARTF or Afghan government altogether, it is reappropriated to other ARTF projects or costs.” (See SIGAR, Afghanistan Reconstruction Trust Fund, SIGAR 18-42-AR, p. 26.) Moreover, as we reported our April 2018 ARTF audit report, a senior Bank official overseeing the ARTF acknowledged there is a difference between the Incentive Program and using conditionality to withhold funding until all conditions are met.

program objectives; (b) withhold or recover money from the Afghan government based on a project's performance or the Afghan government's poor implementation of the project; and (c) incorporate conditionality mechanisms into the ARTF funding scheme by linking funding to specific agreed-upon conditions. USAID and the Bank did not concur with this recommendation.

In December 2020, the Bank reaffirmed that it did not concur with our fifth recommendation of the 2018 report, reiterating its comments in our April 2018 ARTF audit report, and stating that it was not possible to return ARTF funds to donors, recover contributions provided to the Afghan government, or add a conditionality mechanism. The Bank re-emphasized that once donors place money in the trust fund, the money would be spent and would not be returned.<sup>52</sup> Bank officials said one exception could occur if a donor exits the ARTF. The Bank noted that donors had an option to withdraw from the ARTF and recover a pro-rata share of their uncommitted funds if they elected to discontinue their aid through the ARTF. In such a case, the donor would be entitled to a proportional amount of its undisbursed balance.

Although the Bank stated that it would not fully address our fifth recommendation, officials said the Bank took actions to add flexibility allowing the Bank to shift funding away from poorly performing projects to other areas within ARTF. As part of the new 2018 ACREMAP window, the Bank introduced an enhanced fiduciary control framework to increase its fiduciary oversight of the ARTF.<sup>53</sup> This framework included conducting in-depth reviews to identify and apply lessons for enhancing fiduciary control effectiveness. Through the in-depth review process, ineligible expenditures could be found and the Bank could start a fund recovery process. Since 2018, the Bank has conducted two in-depth fiduciary reviews that it shared with donors: a February 2020 review on the Education Quality Improvement Program II, and a September 2020 review of the National Horticulture and Livestock Program. As a result of the in-depth reviews' findings, the Bank said it recovered \$6 million from the Afghan government because of poor performance or fiduciary issues. In particular, the in-depth fiduciary review on the Education Quality Improvement Program II project resulted in \$3.9 million recovered from Afghan government due to ineligible expenditures. The in-depth review process is a positive step toward improving the flexibility in the ARTF to allow the Bank to shift funding from poorly performing projects, if needed, which aligns with the intention of our fifth recommendation from the April 2018 report.

USAID and another major donor advocated that future reviews should include additional high-risk projects. A USAID official stated in October 2020 that USAID would also like to obtain more information from the Bank on how it selects projects for in-depth fiduciary reviews, as USAID was not aware of any specific methodology. In December 2020, the Bank stated it selected projects for in-depth fiduciary reviews based on project funding allocation and a range of qualitative information, such as informal consultation with donors, public material, independent assessments, auditor's observation, monitoring notes, complaints received, and public perception. However, the Bank's selection metrics were poorly defined. In response to donors' request for clarity on the project selection method, the Bank documented the selection methodology in its 2021–2024 financial strategy, which was released in June 2021. Within the financial strategy document, "Partnership Framework and Financing Program 2021–2024," the Bank identified selection factors, as well as the consultation and planning processes, for in-depth reviews, stating, "A framework for in-depth fiduciary review planning could include" donor concerns as part of the selection process, and donors are invited to provide review recommendations during the annual country portfolio performance review (CPPR) process.<sup>54</sup> A Bank

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<sup>52</sup> In response to our draft report, the Bank denied making this statement. We strongly disagree. In a December 2020 interview, a Bank official told us, "if a donor exits the fund, they are entitled to a proportional amount of the undisbursed balance. However, while they are a member of the fund, *the contributions stay within the fund*" [emphasis added]. Moreover, another official added that the money can be designated for a project, but if the project is canceled, the money will be sent back to the parent fund of ARTF and used for another ARTF project.

<sup>53</sup> The Enhanced Fiduciary Control Framework described the Afghan government, World Bank, ARTF- and ACREMAP-enhanced, and programmatic measures in place to help ensure that ARTF resources were used for their intended purpose. In addition, the Bank required ARTF third-party monitoring agents to review projects' submissions for completeness in order to help sustain discipline in documenting and justifying expenditures.

<sup>54</sup> ARTF, "Afghanistan Reconstruction Trust Fund FY 1400–FY 1403 (2021–2024) Partnership Framework and Financing Program," June 9, 2021, p. 56.

representative told us in December 2020 that the “[fiduciary] reviews are very time consuming, expensive, and there has been limited availability of consulting firms to carry out these reviews.” Therefore, the Bank emphasized the need for forward planning in the review selection process, and was weighing the cost-benefit ratio of these reports to determine if another form of review might be more effective.

Furthermore, the Bank told us in December 2020 that the ARTF’s 2018–2020 Partnership Framework and Financing Program added a new Afghan government-led approach to improving ARTF portfolio performance through the annual CPPR. The purpose of the CPPR was to

focus on the overall status of the ARTF portfolio with a view to assessing performance of each project within the portfolio, drawing on the Implementation Status Reports prepared by the [World] Bank teams, as well as the progress reports from the implementation agency, and agreeing on the appropriate action given the assessment.<sup>55</sup>

The CPPR process was jointly managed by the Afghan government and the Bank, and ARTF donors were invited to provide input on portfolio performance. The CPPR process allowed the Afghan government and the Bank to assess the ARTF portfolio to determine if projects needed to be canceled or restructured. The Bank told us that funding from cancelled or restructured projects would not be returned to donors due to the multilateral trust fund structure, but that the funding would remain in the ARTF account and could be moved to another ARTF activity. A Bank official told us that the CPPR was an additional mechanism that “aims to identify and address implementation challenges and bottlenecks for projects, but it should be viewed more as a platform for portfolio wide discussions, adjustments, and decisions.”

The Bank told us that as a result of the annual CPPR held for 2020, the Afghan government and the Bank restructured and cancelled some ARTF projects to better support and fund ongoing, effective projects and new priorities. For example, through the CPPR process, the Bank and Afghan government recommended to not extend the Afghanistan Irrigation Restoration and Development Project, and cancel parts of the Afghanistan Rural Access Project and National Horticulture and Livestock Productivity Project. Despite these improvements in the CPPR process, the Bank staff did not follow internal, recommended Bank guidance when producing implementation status and results reports, key information the Bank used in completing the CPPR assessments.

## THE WORLD BANK AND DONORS IDENTIFIED TWO PERSISTENT CHALLENGES TO MANAGING AND OVERSEEING THE ARTF

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In addition to the issues we identified above, the Bank and donors identified two additional, persistent challenges in managing and overseeing the ARTF since SIGAR’s 2018 report. First, Bank officials told us that frequent personnel turnover and staff rotations among the donors made it difficult to ensure that the staff understood the ARTF process. To help address this challenge, Bank officials told us they maintained and updated an “ARTF 101” briefing for new staff that introduced the program and its governance structures. The Bank also “invited” donors to help identify “Frequently Asked Questions,” which the Bank could then answer on the ARTF website to assist new staff members.<sup>56</sup> Bank officials told us in July 2021 that the annual Steering Committee meeting held in May 2019 formally recognized the Bank’s improvements in ARTF communications for maintaining “well-structured handover and introductory processes for incoming management and staff.”

Second, multiple donors expressed concern with the size of the Bank’s ARTF team for the size of the ARTF portfolio. A donor stated that the Bank’s ARTF team was too small to manage and oversee the large ARTF portfolio and new programming demands. Another donor indicated that the CPPR process did not strategically reduce the ARTF portfolio as the donor had hoped because the size of the portfolio prevented the Bank from

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<sup>55</sup> ARTF, “Afghanistan Reconstruction Trust Fund Partnership Framework and Financing Program FY 1397–FY 1399 (2018–2020),” June 25, 2018, p. 30.

<sup>56</sup> In response to our draft report, the Bank stated that donors have not taken up the invitation to help identify frequently asked questions.



focusing on core goals. Overall, donors stated that the CPPR and fiduciary review processes were positive developments in performance management, but that the Bank had not addressed the capacity limitations that prevented it from using the new oversight tools as donors hoped.

## CONCLUSION

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USAID and the World Bank took steps to improve the monitoring and oversight of the ARTF as a direct result of our prior report. The Bank improved third-party monitoring, addressed anti-corruption efforts, and evaluated the performance of its contracted third-party monitors. However, we found that the Bank did not take action to fully address our previous recommendations and issues persisted with the Bank's monitoring, performance measurement, and oversight of the \$13 billion international investment in Afghanistan reconstruction. For example, the Bank did not make changes to the multi-donor mechanism that would allow donors to modify contributions based on performance outcomes, and the Bank did not establish conditions on future funding. Nevertheless, we maintain that the Bank could take actions to fully address our previous recommendations that would help ensure that any future ARTF funding—or funding provided through a similar modality—would be used more efficiently and effectively.

We completed substantive fieldwork for this evaluation at the end of July 2021. Specifically, we briefed USAID and the Bank on our preliminary findings in June 2021. USAID and the Bank responded to our preliminary findings and provided additional information in July 2021. Prior to providing both parties a complete draft of this report, the collapse of the Afghan government in August 2021 and the Taliban's returns to power halted ARTF funding and implementation. Although there are unresolved questions regarding the future of the ARTF, the Biden administration and international donors have stated their intent to continue supporting the Afghan people. In light of that intent and because our report highlights improvements and ongoing limitations in the Bank's monitoring, performance measurement, and oversight of the ARTF, we encourage USAID to consider our findings as it makes decisions regarding future support to the trust fund and other forms of assistance for the Afghan people.

## RECOMMENDATIONS

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We are not making recommendations in this report due to the uncertain future of USAID assistance to the ARTF, and because we previously made recommendations that, if addressed, would mitigate the issues we identify herein.

## AGENCY COMMENTS

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We provided a draft of this report to USAID and the World Bank for comment. We received written comments from USAID's Mission Director for Afghanistan and from the World Bank's Country Director for Afghanistan in February 2022, which we reproduced in appendices II and III, respectively.

In the World Bank's comments, the Country Director said "the findings and conclusions of the draft evaluation illustrate that the Afghanistan team of the World Bank has made considerable investments in communications, fiduciary controls, project oversight, third-party monitoring and portfolio management since 2018..." The Country Director also stated, "we devoted considerable resources to supporting USAID in responding to SIGAR's requests, and to reviewing and providing detailed comments on this and earlier drafts of the evaluation report." The Bank stated that it appreciated our work to reflect some of those comments in the draft report, and provided an additional round of technical comments. As we did with earlier technical comments, we incorporated the Bank's comments into the final report, as appropriate. We also provided specific responses in appendix III to the Bank's editorial suggestions and addressed or refuted the World Bank's stated "mischaracterizations" and "misstatements," as well as other assertions included in their written comments.

In USAID's comments, the Mission Director stated that USAID and the Bank each provided detailed comments on this report's Statement of Facts from July 2021. USAID recognized that we addressed some of their comments in that document. USAID also agreed with "the World Bank's Management comments and the accompanying 58 technical comments and requests that SIGAR incorporates them into the forthcoming report." We incorporated technical comments from both USAID and the World Bank in July 2021 and February 2022 into this report, as appropriate.

## APPENDIX I - SCOPE AND METHODOLOGY

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This evaluation examined the U.S. Agency for international Development's (USAID) and the World Bank's ("the Bank") efforts to improve the management, oversight, and internal controls of the Afghanistan Reconstruction Trust Fund (ARTF) since SIGAR's last audit of the ARTF in April 2018. Our evaluation scope was April 2018 to September 2021. To carry out this evaluation, we conducted interviews, reviewed documents, and coordinated with stakeholders within the agencies.

Specifically, we examined the extent to which USAID and the Bank, since April 2018, (1) took steps to implement SIGAR's April 2018 recommendations; and (2) identified new challenges to managing and overseeing the ARTF, and took steps to address these challenges.

To meet these objectives, we reviewed the following:

- Bank and USAID ARTF grant award agreements, and Bank-contracted third-party monitoring contracts, such as
  - USAID Grant Agreement No. 306-G-00-12-00016-00;
  - "Revised Supervisory Agent Third-Party Monitoring Terms of Reference: Management Systems International Year IV Work Plan;"
  - Monitoring Agent Revised Terms of Contract: Contract 8005619 Modification E; and
  - "Third-Party Monitoring Terms of Reference," January 1, 2020–December 31, 2021.
- ARTF third-party monitoring reports, such as
  - *Third-Party Monitoring Inception Report, March 2020;*
  - *Recurrent Cost Window Detailed Annual Monitoring Reports for Fiscal Year (FY) 1398, May 2020;*
  - *Monitoring Agent for ARTF Detailed Quarterly Management Report, September 2019–December 2019;* and
  - *Completion Report ARTF II Supervisory Agent, December 2019.*
- ARTF finance strategies, recipient-executed and Bank-executed activity reports, and independent reviews of third-party monitoring performance, such as
  - "The Partnership Framework and Financing Program, FY 1397–FY 1399;"
  - *Quarterly Activity Report for the ARTF Anti-Corruption and Results Monitoring Action Program Window, April–June 2020;* and
  - "Independent Review ARTF Third-Party Monitoring Agent Performance," January 2021.
- ARTF governance documents and portfolio reviews, such as
  - ARTF Steering Committee Meetings Summary of Discussions, September 2020;
  - *Assessment Report 2020 Afghanistan Country Portfolio Performance Review;* and
  - "Portfolio Operational Status Reviews for ARTF Strategy Group Meeting," November 2019.

In addition, we interviewed officials from the Bank assigned to Kabul, Afghanistan; the Afghan Ministry of Finance's Aid Management Directorate; and donor representatives from the United States, United Kingdom, European Union, and Germany.

To examine the extent that USAID and the Bank, since April 2018, improved management, oversight, and internal controls of the ARTF by implementing SIGAR's April 2018 recommendations, we determined if the recommendation closeout actions were implemented by reviewing third-party monitoring contracts, third-party monitoring inception report, quarterly and annual monitoring reports, portfolio review reports, governance committees' meeting summaries, and finance strategy reports and updates. In addition, we contacted the five major donors to the ARTF that SIGAR interviewed for the April 2018 report. We interviewed representatives from four of the five donors, including the United States through USAID. We also interviewed Bank officials to ask technical questions regarding what improvements they made in response to the April 2018 report and how the Bank implemented these improvements. Finally, we reached out to Afghan government officials within the

Ministry of Finance for written responses to interview questions, asking for their perspective on the improvements to the ARTF since April 2018.

To examine the extent to which USAID and the Bank identified new challenges to managing and overseeing the ARTF, and took steps to address these challenges since April 2018, we interviewed USAID and Bank officials, and asked them to describe any new challenges pertaining to the ARTF. We also relied on our interviews with the donor country representatives from United Kingdom, European Union, and Germany, and asked them if there were any new challenges that arose, and how they worked with the Bank to resolve those issues.

We coordinated over the course of our evaluation with the Offices of the Inspectors General for USAID, the Department of State, and the Department of Defense, as well as the Government Accountability Office, per the Congressional mandate. We also coordinated with the Bank's Integrity Vice Presidency Office and Afghanistan Country team.

We did not use or rely on computer-processed data for the purpose of our evaluation objectives. We assessed USAID and the Bank's efforts through interviewing officials and reviewing requested documentation.

We conducted our evaluation work in Arlington, Virginia; and Kabul, Afghanistan, from May 2020 to March 2022, in accordance with Quality Standards for Inspection and Evaluation, published by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the evaluation to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. SIGAR performed this evaluation under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended.

## APPENDIX II - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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### MEMORANDUM

**TO:** The Honorable John F. Sopko  
The Special Inspector General for Afghanistan  
Reconstruction (SIGAR)

**FROM:** Peter Duffy, Mission Director *PD*

**DATE:** February 18, 2022

**SUBJECT:** Management Comments to Respond to the Draft Performance Evaluation Report Produced by the SIGAR titled, "Afghanistan Reconstruction Trust Fund: Additional Actions By the World Bank are Necessary to Address Ongoing Issues with Monitoring, Performance Measurement, and Oversight" (SIGAR 22-XX Evaluation Report/SIGAR E-007).

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The U.S. Agency for International Development (USAID) thanks SIGAR for the opportunity to provide comments on the subject draft report, which does not contain recommendations for the Agency.

In the draft report, "SIGAR found that the Bank made multiple improvements to its monitoring, performance measurement, and oversight of the ARTF since the 2018 SIGAR 18-42 performance audit report by addressing SIGAR's prior recommendations."

In addition, USAID and the World Bank provided detailed comments to this evaluation's Statement of Facts (SoF); some of which were incorporated into the draft report. In addition to those SoF comments, USAID concurs with the World Bank's Management comments and the accompanying 58 technical comments and requests that SIGAR incorporates them into the forthcoming report.

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cc: Morgan J. Brady, Controller  
cc: Asia Bureau Budget  
cc: APC Audit

## APPENDIX III - COMMENTS FROM THE WORLD BANK

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February 18, 2022

The Honorable John F. Sopko  
Special Inspector General for Afghanistan Reconstruction  
1550 Crystal Drive, 9<sup>th</sup> Floor  
Arlington, VA 22202

Dear Mr. Sopko:

**Re: World Bank Response to SIGAR Evaluation E-007**

Thank you for the opportunity to review the Special Inspector General for Afghanistan Reconstruction (SIGAR)'s draft report of Evaluation E-007. **The Afghanistan team of the World Bank welcomes SIGAR's finding that the World Bank made multiple improvements to its monitoring, performance measurement, and oversight of the Afghanistan Reconstruction Trust Fund (ARTF) since SIGAR published its report of performance audit 18-42 in April 2018. SIGAR's decision to make no new recommendations is a recognition of these improvements.**

Since 2002, ARTF has offered a coordinated mechanism to finance priority investments in Afghanistan's reconstruction. It offers low transaction and management costs, transparency and accountability, and has been donors' vehicle of choice for pooled funding. ARTF provides a well-functioning arena for policy debate and consensus building. The fund delivers important results, including by supporting essential basic service delivery in education, health, livelihoods and agriculture. With any instrument as complex as the ARTF, continued attention is necessary to sustain improvements. To that end, we devoted considerable resources to supporting USAID in responding to SIGAR's requests, and to reviewing and providing detailed comments on this and earlier drafts of the evaluation report. In July 2021, we provided 90 technical comments identifying 37 corrections and 45 clarifications needed in the text, as well as 11 questions. We took the opportunity voluntarily to provide a large amount of supplemental data to support the comments. We appreciate that SIGAR has reflected some of these comments in the latest draft. We accompany this letter with 58 additional technical comments, identifying 19 mischaracterizations, and 11 misstatements, of fact that we consider material to technical observations in the draft report. We summarize those comments below.

See SIGAR  
comment 1

With that said, and stressing our concurrence with SIGAR's finding that the World Bank has made multiple improvements to monitoring, performance measurement and oversight of ARTF, we would like to see the title of the draft evaluation report changed to reflect that finding, as follows: *"Afghanistan Reconstruction Trust Fund: The World Bank Made Multiple Improvements to its Monitoring, Performance Measurement, and Oversight of the ARTF by Addressing SIGAR's Recommendations, But Sustained Attention is Needed"*. Without such a change, the draft title is likely to be misleading by obscuring SIGAR's main finding. A reference to the multiple improvements made should be added. In addition, because SIGAR makes no new recommendations to USAID or

See SIGAR  
comment 2

the World Bank, we believe the phrase “additional actions by the World Bank are necessary” should be deleted to avoid suggesting that new recommendations have been made. We recognize, and agree, that sustained attention is required to continue addressing issues discussed in the draft evaluation report, and the revised title fairly reflects this point.

We respectfully refer you to the attached technical document detailing our 58 specific comments on the draft report and suggesting corrections, including to the 19 mischaracterizations and 11 misstatements of fact that are material to the substance of the report. As always, we support these comments with references to materials and information provided to SIGAR, and/or publicly available, during fieldwork on this evaluation. We summarize key points related to the five recommendations of SIGAR 18-42 reviewed in this draft evaluation report below:

With respect to SIGAR Recommendation 1, please see our accompanying technical comments 10 through 14. We recommend revising the heading to read *The World Bank Included Physical Verification in Eligibility Rate Calculations. Information on Expansion of Physical Verification Could Be Clarified*. Physical verification of civil servants formed one subcomponent of the highly elaborated process for ARTF Recurrent Cost Window cost eligibility monitoring. The Bank provided evidence that physical verification observations were incorporated in payment calculations under the consolidated third-party monitoring approach introduced in 2020. Reporting on this process satisfied, and exceeded, requirements. It is accurate to note USAID officials’ observations that some information could have been clearer. We agree with this observation, though if this is noted in the report, we believe the text should also acknowledge that there is no evidence the Bank failed to provide clarifications requested by USAID or any other partner.

See SIGAR  
comment 3

With respect to SIGAR Recommendation 2, please see our accompanying technical comments 15 through 23. We recommend revising the heading to read *The World Bank Improved Communication with and Access to Information for Donors, but Some Issues Persisted with Timely Completion of Public Reporting*. The Bank substantially expanded donors’ access to information about the ARTF as an instrument and about the implementation of ARTF-financed projects. Measures included, but were not limited to, dedicating a staff position to that purpose, providing weekly updates on project implementation, enhancing donors’ access to deliberative information regarding project implementation, revising the ARTF Scorecard to respond to donor feedback, and voluntarily refreshing the ARTF website while retaining – and expanding – donors’ access to a library of nearly 700 ARTF-specific documents as a supplement to detailed project disclosures made available on the World Bank’s public website. A number of factors can affect the Bank’s ability to meet voluntary timelines for the voluntary production of information, but providing regular access to information continues to be a shared priority of the Bank and ARTF partners.

See SIGAR  
comment 4

With respect to SIGAR Recommendation 3, please see our accompanying technical comments 24 through 28. We recommend revising the heading to read *The World Bank Addressed the Recommendation to Conduct and Share Its Evaluations of the Third-Party Monitors*. In line with requirements of the ARTF administration agreement, the World Bank delivered an independent evaluation of the previous third-party monitoring contracts in January 2021. The report concluded that: (1) both the former Monitoring Agent (MA) and the former Supervisory Agent (SA) performed well on the delivery of their services. The MA and the SA delivered activities in line with contractual requirements and in line with World Bank operational standards; (2) World Bank stakeholders were generally satisfied with the utility of the reports produced; (3) stakeholders of the former government were generally positive about the function of both of the MA and SA; and (4) donors interviewed for

See SIGAR  
comment 5

the review expressed broad consensus that the MA and SA were useful instruments. The review also included valuable observations that the Bank has incorporated into management of the next phase of third-party monitoring contracting. SIGAR has observed that there may be value in more frequent reporting on TPMA contract performance. It is important for the report to acknowledge that if delivered, such supplemental reporting would be voluntary, as it is not required by the ARTF administration agreement or other policy/procedural requirements.

With respect to SIGAR Recommendation 4, please see our accompanying technical comments 29 through 42. We recommend revising the heading to read *Independent Reviews Demonstrate Improvements in Bank Performance Ratings Since SIGAR 18-42 Was Published, Though Some Planned Improvements Are Not Complete*. Twelve independent reviews of World Bank performance ratings have been produced and made publicly available since SIGAR 18-42 was published. They were available during the fieldwork period. These independent reviews covered projects financed by US\$ 2.768 billion in donor contributions to the ARTF. The reviews demonstrate marked improvements in the accuracy of Bank performance ratings for projects that closed after SIGAR 18-42 was published. We believe these Implementation and Completion Report Reviews, published by the World Bank's Independent Evaluation Group, provide a methodologically sound basis for assessing the accuracy of the Bank's performance ratings in a range of projects. We recommend this approach over the approach SIGAR used for the draft report, which involved reviewing materials from the same six projects reviewed for SIGAR 18-42. Most of the projects reviewed for SIGAR 18-42 had *already closed* when the report was published. For this reason, documents from those projects are of limited use in assessing changes since SIGAR 18-42 was published. We also wish to emphasize that the Bank undertook improvements to the voluntarily produced ARTF Scorecard product, including but not limited to articulating a portfolio-wide theory of change and indicative results framework (drawing from the detailed project level results frameworks for each ARTF-financed project) before planned legal amendments that would require such adjustments actually took effect. ARTF partners endorsed preliminary work on these measures in June 2021. Detailed work was ongoing when the events of August 15, 2021 required the Bank to pause all activities in Afghanistan, including disbursements to ARTF-financed projects.

See SIGAR  
comment 6

With respect to SIGAR Recommendation 5, please see our accompanying technical comments 43 through 48. We recommend revising the heading to read *The World Bank Did Not Concur with Our Recommendation to Make Changes Allowing Donors to Recover ARTF Funds But Introduced Some Improvements to Recover and Redirect Funds From Poorly Performing Projects*. It is important for the evaluation report clearly to state USAID's and the Bank's original rationales for not concurring with this recommendation as formulated, together with SIGAR's response to this reasoning. Our technical comments offer inputs to help to clarify these points, and also more accurately to summarize the existing flexibilities to condition contributions and recover funds before describing improvements the World Bank made during this period.

See SIGAR  
comment 7

With respect to the section on additional challenges, please see our accompanying technical comments 49 through 50. We recommend revising the heading to read *The World Bank and Donors Discussed How Two Ongoing Challenges to Managing and Overseeing the ARTF Are Being Addressed*. We concur that frequent staff rotation among donor partners is one challenge in managing the ARTF due to its considerable complexity. We also acknowledge that donors have expressed an interest in further expanding the ARTF team. We would note that these are not challenges newly identified since 2018, but are, rather, longer term challenges. We welcomed the opportunity to discuss these with SIGAR. We were pleased to note that in discussing the issues with SIGAR, donors also

See SIGAR  
comment 8



stated that they had observed positive improvements in ARTF performance management and fiduciary controls since SIGAR 18-42 was published.

The findings and conclusions of the draft evaluation illustrate that the Afghanistan team of the World Bank has made considerable investments in communications, fiduciary controls, project oversight, third-party monitoring and portfolio management since 2018, and that it remains committed to these shared priorities as we look ahead to the future of the ARTF, in consultation with World Bank shareholders and ARTF donors.

I would like to thank your team led by Eugene Gray and Kara Coughlin for their work on this evaluation and collegial cooperation.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melinda Good".

Melinda Good  
Country Director for Afghanistan  
South Asia Region

## SIGAR Response to the World Bank's Comments

**SIGAR Comment 1:** We considered all of the World Bank's responses to our Statement of Fact in July 2021, and responses to the draft report in February 2022. We made updates to the report, as necessary, based on evidence and support. However, several World Bank comments from July 2021 were either incorrect, not supported with additional documentation, or sought to add unnecessary context to the draft. Therefore, we assert that we addressed their technical comments, as appropriate.

**SIGAR Comment 2:** We updated the report title to: *Afghanistan Reconstruction Trust Fund: The World Bank Improved Its Monitoring, Performance Measurement, and Oversight, But Other Issues Persist.*

**SIGAR Comment 3:** We disagree with the World Bank's suggested change, which fails to highlight ongoing issues with understanding how physical verification efforts are incorporated in to eligibility rate and payment calculations. We updated report language on page 9 to present the World Bank's opinion that "there is no evidence the Bank failed to provide clarifications requested by USAID or any other partner."

**SIGAR Comment 4:** We disagree with the World Bank's suggested change. The issues we report on making records public concern more than timeliness, but also access to records. Moreover, we already had language on page 10 of the draft report giving the World Bank credit for new measures it has taken since our last report.

**SIGAR Comment 5:** We disagree with the World Bank's suggested change because it removes a key finding we report on pages 11–12 about ongoing issues. In addition, we already reported on steps the World Bank has taken since our 2018 report. However, we also already noted that these steps have not fully addressed the lapse in performance evaluation and reporting. Finally, we updated language on pages 11–12 to address the Bank's point that there is no required guidance to provide additional reporting.

**SIGAR Comment 6:** We disagree with the World Bank's suggested change. We already report on improvements the World Bank made to performance reporting. However, the World Bank still does not fully adhere to its own guidance. In addition, we updated language in the report on pages 13–14 to address the World Bank's suggestions for how we should have performed our methodology in assessing performance reporting documents.

**SIGAR Comment 7:** We disagree with the World Bank's suggested change. Our report highlights that USAID and the World Bank still did not make changes to the ARTF to allow donors to recover ARTF funds. Our report language accurately summarizes the World Bank's reasoning for not concurring with recommendation 5 in our 2018 and current report. However, we added language on page 16 of the report to further emphasize that the World Bank improved flexibility in the ARTF to better allow the Bank to shift funding from poorly performing projects if needed.

**SIGAR Comment 8:** We updated the header on page 17 of the report. However, we did not accept all of the World Bank's suggested edits because they did not involve factual changes.

## APPENDIX IV - ACKNOWLEDGMENTS

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Eugene Gray, Senior Program Manager

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## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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