

# INVESTMENT WINDOW

## QUARTERLY MONITORING REPORT - Q1 2020

MAY 2020



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# CONTENTS

ACRONYMS AND ABBREVIATIONS .....	4
EXECUTIVE SUMMARY .....	5
Site Visits .....	7
Summary Findings .....	7
Afghanistan Rural Access Project (ARAP) .....	8
Internal Control Assessment of FSP .....	15
Review of Procurement Transactions and other Expenditure for FY 1398 .....	15
SCOPE AND METHODOLOGY .....	16
Physical Monitoring .....	16
Sampling .....	16
Data Collection .....	16
Analysis .....	19
Internal Control Assessment .....	20
Testing of FY 1398 Transactions .....	21
RESULTS OF PHYSICAL MONITORING IN Q1 2020 .....	22
Context and its impact .....	22
Measuring Financial and Physical Progress .....	23
INTERNAL CONTROL ASSESSMENT OF FSP .....	28
RESULTS OF TESTING OF FY 1398 TRANSACTIONS .....	30
REVIEW OF STATEMENTS OF EXPENDITURE .....	35
PROJECT RISKS AND EMERGING ISSUES .....	37
TABLES	
Table 1: Status of Activities Performed in Q1 2020 .....	5
Table 2: Summary of Deviations found in this Reporting Period .....	7
Table 3: ARAP Financial Progress Summary .....	8
Table 4: ARAP Deviations .....	8
Table 5: CCAP Financial Progress Summary .....	9
Table 6: CCAP Excess Payments, Questionable Transactions and Rectification Costs .....	9
Table 7: CCAP Deviations .....	9
Table 8: EQRA Financial Progress Summary .....	11
Table 9: EQRA Excess Payments, Questionable Transactions and Rectification Costs .....	11
Table 10: EQRA Deviations .....	11
Table 11: THRCP Financial Progress Summary .....	13
Table 12: Summary Assessment of FSP Internal Controls .....	15

Table 13: Site Visits Conducted .....	16
Table 14: Scoring System for Infrastructure .....	17
Table 15: Scoring System for Environmental and Social Safeguard Compliance .....	19
Table 16: Sample Size for Internal Control Assessment by Frequency .....	20
Table 17: Sample Size for Internal Control Assessment by Area .....	20
Table 18: Classification of Deficiencies and Material Weakness .....	21
Table 19: Summary of Deviations found in this Reporting Period.....	24
Table 20: Legacy Deviations .....	24
Table 21: Critical Deviations Observed in this Reporting Period .....	24
Table 22: Soft Components Finding .....	25
Table 23: ESS Findings .....	26
Table 24: Gender Findings .....	27
Table 25: Analysis of Exceptions .....	28
Table 26: Annual Expenditure by Project and Category up to Q4 FY 1398 (AFNm).....	30
Table 27: Non-Compliance by Type and Project (AFNm) .....	31
Table 28: Samples Selected for Review (AFNm) .....	31
Table 29: Expenditure Classified as Non-Compliant (AFNm).....	33

#### ATTACHMENTS

- A: Afghanistan Rural Access Project Report for Q1 2020
- B: Citizens' Charter Afghanistan Project Report for Q1 2020
- C: Education Quality Reform in Afghanistan Report for Q1 2020
- D: National Horticulture and Livestock Project Report for Q1 2020
- E: Trans-Hindukush Road Connectivity Project Report for Q1 2020
- F: Women's Economic Empowerment Rural Development Project Report for Q1 2020
- G: Fiscal Performance Improvement Support Project Review of Internal Controls
- H: Review of Project Statements of Expenditure

## ACRONYMS AND ABBREVIATIONS

AAIP	Afghanistan Agriculture Input Project
AFMIS	Afghanistan Financial Management Information System
AFN	Afghanis (currency)
ARAP	Afghanistan Rural Access Project
ARTF	Afghanistan Reconstruction Trust Fund
ASDP II	Afghanistan Second Skills Development Project
CCAP	Citizen's Charter Afghanistan Project
CDC(s)	Community Development Council(s)
EQRA	Education Quality Reform in Afghanistan
FSP	Fiscal Performance Improvement Support Project
FY	Fiscal Year (21st December to 20th December of the following year)
GRM	Grievance Redress Mechanism
HEDP	Higher Education Development Project
HEP	Herat Electrification Project
IDA	International Development Association
IDLG	Independent Directorate of Local Governance
IRDp	Irrigation, Restoration and Development Project
IUFR	Interim Un-audited Financial Report
MoE	Ministry of Education
MoF	Ministry of Finance
MoT	Ministry of Transport
MRRD	Ministry of Rural Rehabilitation and Development
MSI	Management Systems International
NHLP	National Horticulture and Livestock Project
NHRP	Naghlu Hydropower Rehabilitation Project
NPA	National Procurement Authority
OFWMP	On-Farm Water Management Project
PIU(s)	Project Implementation Unit(s)
PMU(s)	Project Management Unit(s)
SAO	Supreme Audit Office
SHG(s)	Self-Help Group(s)
TPM	Third Party Monitoring
TPMA	Third Party Monitoring Agent
TTL	Task Team Lead
USD	United States Dollar
WEE-RDP	Women's Economic Empowerment Rural Development Project

## EXECUTIVE SUMMARY

This report presents the findings of the physical and financial monitoring that we, as the contracted Third Party Monitoring Agent (TPMA) for World Bank-funded projects in Afghanistan, conducted in relation to the Investment Window component of the Afghanistan Reconstruction Trust Fund (ARTF).

As this was the first quarter of our assignment, we conducted Inception Phase activities in January and February 2020, and delivered our Inception Report in March 2020. The activities performed in accordance with our Terms of Reference are set out in Table 1.

**TABLE 1: STATUS OF ACTIVITIES PERFORMED IN Q1 2020**

AREA		STATUS OF ACTIVITIES PERFORMED
1	<b>Monitoring of Project Sites</b>	
1.1	Afghanistan Rural Access Project (ARAP)	We carried out joint Financial and Physical monitoring of sub-projects managed by the Ministry of Transport (MoT) at three locations. Our project report is at Attachment A.
1.2	Citizens' Charter Afghanistan Project (CCAP)	We carried out a financial review of procurement, contracting and documents for 119 sub-projects being implemented by 105 Community Development Councils (CDCs), and in-person site visits to 111 CDCs in 20 provinces, monitoring 122 sub-projects. Our project report is at Attachment B.
1.3	Education Quality Reform in Afghanistan (EQRA)	We carried out a financial review of procurement, contracting, and financial documentation for 113 CDCs implementing sub-projects involving either the construction of new schools or the rehabilitation of existing ones, and in-person site visits to 69 schools in 11 provinces. Our project report is at Attachment C.
1.4	National Horticulture and Livestock Project (NHLP)	We carried out a joint Financial and Physical Monitoring review of the provision of poultry and mini-tractors in three provinces. Our project report is at Attachment D.
1.5	Trans-Hindukush Road Connectivity Project (THRCP)	We carried out a joint Financial and Physical Monitoring review of procurement, contracting, and financial documentation and in-person monitoring visits to two segments of THRCP managed by the Ministry of Public Works. Our project report is at Attachment E.
1.6	Women's Economic Empowerment Rural Development Project (WEE-RDP)	We conducted in-person monitoring visits in Kabul, Pakiya, and Panjshir to 44 Self-Help Groups (SHGs). Our project report is at Attachment F.
2	Internal Control and Project Management Assessments	We completed a Review of Internal Controls for the Fiscal Performance Improvement Support Project (FSP) in respect of project components being implemented by the Ministry of Finance (MoF). Our assessment report is at Attachment G.
3	Review of Procurement Transactions and other Expenditure for FY 1398	We completed a review of procurement transactions and other expenditure relating to FY 1398 for 13 projects under our previous contract as Monitoring Agent for the World Bank. The results of our transaction testing are included in this report.
4	Review of Statements of	We commenced SoE reviews of 19 projects submitting quarterly SoEs for transactions reported in Q1 FY 1399 and issued SoE Cover Letters for 8

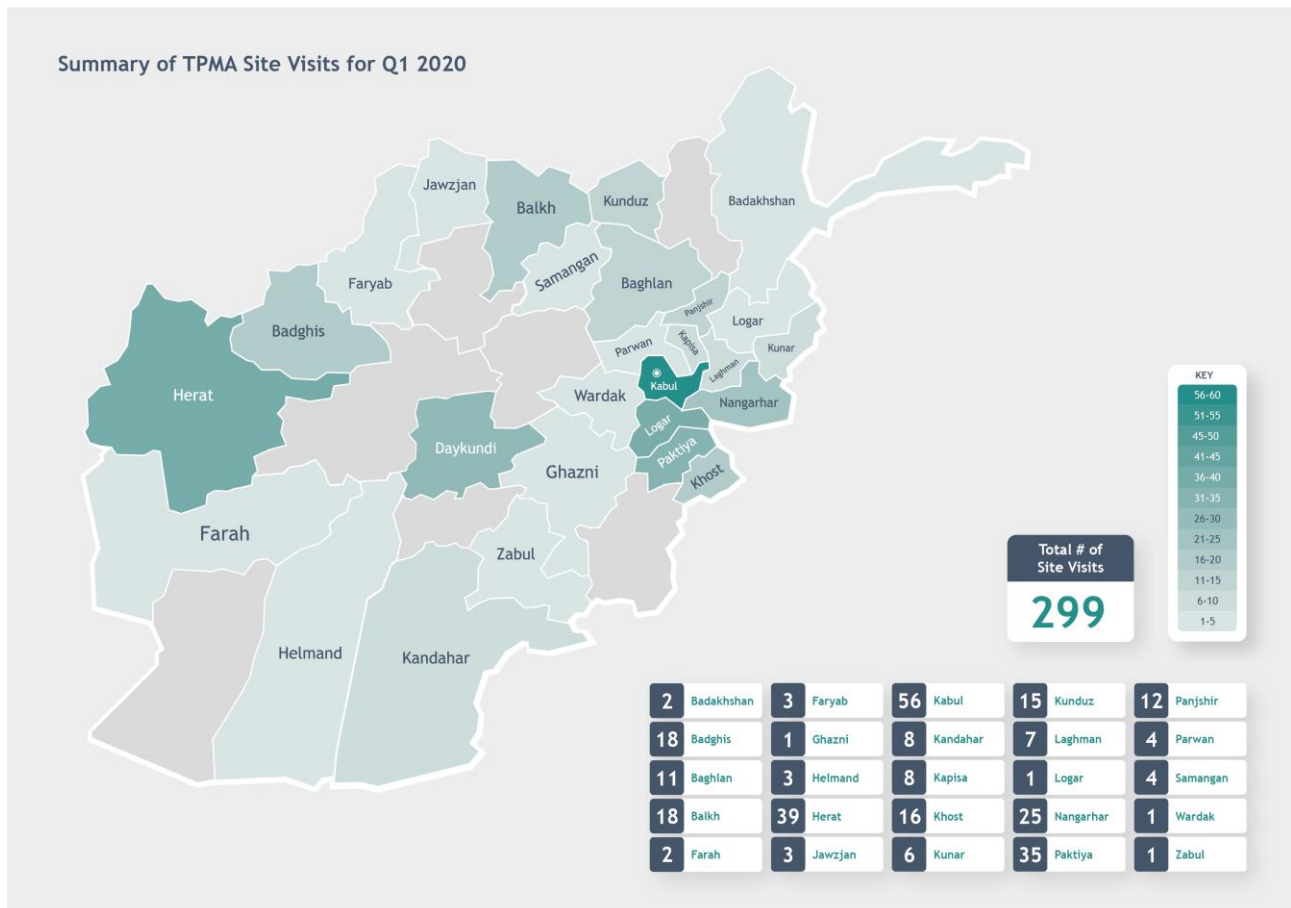
AREA		STATUS OF ACTIVITIES PERFORMED
	Expenditure (SoEs) and Withdrawal Applications	projects in this quarter. Our review is at Attachment H and we plan to complete our review in May and June 2020. Our review of Withdrawal Applications will follow agreement with the Afghan Government on the SoE Cover Letters and findings
5	Review of the Financial Management Manual	Not yet started. We plan to carry out this activity between June and December 2020. Subject to completion of this task, we will then commence development of a Financial Management App.
6	Financial Management capacity building and fiduciary training	Not yet started. We plan to commence this activity in June, subject to the impact of COVID-19.
7	Ad hoc assignments (Not attached)	<ul style="list-style-type: none"> <li>• We undertook a site assessment of three THRCF project segments following reports of span failures and reported to the THRCF Task Team Lead (TTL) for follow-up. We are currently reviewing contractual arrangements for two of these segments and expect to report our findings during May 2020.</li> <li>• We undertook a Quality Assurance review of a sample of audits carried out by the Supreme Audit Office (SAO). We expect to report our findings in May 2020.</li> <li>• We commenced a review of the Jalalabad Recreational Park for components of CCAP being implemented by the Independent Directorate of Local Governance (IDLG). We expect to report our findings in May 2020.</li> <li>• We commenced a review of project personnel engaged by IDLG in Jalalabad. We expect to report our findings in May 2020.</li> <li>• We commenced a review of school projects undertaken by 32 CDCs for EQRA. Subject to being able to access the last remaining four projects, we expect to report our findings in May 2020.</li> </ul>

## SITE VISITS

During Q1 2020 we conducted 297 site visits in 25 out of Afghanistan's 34 provinces. In addition, we conducted 46 telephone interviews in relation to NHLP, including respondents from three further provinces.

The map below shows the number of site visits conducted per province in the reporting period.

A number of other site visits conducted during the period, but where data had not been fully quality assured by the date of this report, will be included in the next reporting round.



## SUMMARY FINDINGS

The following project findings are extracted from the Executive Summaries for each report.

TABLE 2: SUMMARY OF DEVIATIONS FOUND IN THIS REPORTING PERIOD

PROJECT	DEVIATIONS FOUND					
	Observations	Critical	Major	Minor	Total	Cost of Rectification
ARAP	152	0	23	26	49	AFN 2,374,061
CCAP	2,668	5	100	259	364	AFN 4,620,247
EQRA	2,075	7	53	72	132	AFN 7,618,460
THRCP	93	0	13	5	18	AFN 728,507
<b>Total</b>	<b>4,988</b>	<b>12</b>	<b>189</b>	<b>362</b>	<b>563</b>	<b>AFN 15,341,275</b>

The Costs of Rectification shown in the table above reflect engineer's on-site estimates but are not based on a market exercise for the local or transported cost of labour and materials.



## AFGHANISTAN RURAL ACCESS PROJECT (ARAP)

We carried out joint Financial and Physical Monitoring of sub-projects managed by the Ministry of Transport (MoT) at three locations.

### FINANCIAL PROGRESS VERSUS ASSESSED PHYSICAL PROGRESS

- Financial Progress was assessed at 82 percent, less than the assessed Physical Progress of 90 percent. We found no financial ‘red flags’.

**TABLE 3: ARAP FINANCIAL PROGRESS SUMMARY**

FINANCIAL PROGRESS SUMMARY	
Contract Value of Sample	AFN 141,806,732
M16 Number	579
M16 Date	12 March 2020
Interim Payment Certificate Number	7
Measurement Date	26 February 2020
Contractor Payments Made to Date	AFN 115,764,688
Financial Progress Percentage per Financial Monitoring team’s calculations and project engineer’s report	82 percent
Excess Payment	None identified

### DEVIATIONS, FINDINGS AND CONCERNS

**TABLE 4: ARAP DEVIATIONS**

DEVIATIONS FOUND				
Observations Made	Critical	Major	Minor	Total
152	0	23	26	49

- Most Major deviations arose from poor workmanship and were most frequently found in Reinforced Cement Concrete (RCC) Slab Culverts;
- Lack of adequate project team supervision is a concern;
- Sites were generally well-supplied with necessary equipment and construction materials, but there appeared to be no safety processes in place;
- The sub-project is non-compliant to a limited degree with environmental safeguard requirements; and
- Elements of social safeguards are being implemented but appear to be ineffective.

## CITIZENS’ CHARTER AFGHANISTAN PROJECT (CCAP)

We carried out a financial review of procurement, contracting and documents for 119 sub-projects being implemented by 105 Community Development Councils (CDCs), and in-person site visits to 111 CDCs in 20 provinces, monitoring 122 sub-projects. 28 sub-projects were funded through IDLG and 94 through MRRD.

### FINANCIAL PROGRESS VERSUS ASSESSED PHYSICAL PROGRESS

- Financial Progress was assessed at 95 percent, less than the assessed Physical Progress of 91 percent.

- We conducted a financial review of 119 sub-projects<sup>1</sup> being implemented by 105 CDCs and identified estimated overpayments amounting to AFN 26,415,861. This equates to 8 percent of the value of contracts monitored.

## RED FLAGS

We identified 14 red flags relating to excess payments made, totalling AFN 13,599,316. These are shown in Table 6 below and itemised in the full report.

**TABLE 5: CCAP FINANCIAL PROGRESS SUMMARY**

FINANCIAL PROGRESS SUMMARY	
Number of CDCs monitored	105
Number of Sub-Projects monitored	119
Average Financial Progress Percentage	95 percent
Value of Contracts Monitored	AFN 336,603,465
Total Estimated Overpayments	AFN 26,415,861
Overpayments as a Percentage of Contract Value	8 percent

**TABLE 6: CCAP EXCESS PAYMENTS, QUESTIONABLE TRANSACTIONS AND RECTIFICATION COSTS**

	NO. OF CDCs AFFECTED	AMOUNT (AFN)
Excess Payment Red Flags	14	13,599,316
Questionable Transactions	14	8,196,298
Estimated Rectification Costs	80	4,620,247
<b>Total Estimated Overpayments</b>		<b>26,415,861</b>

## DEVIATIONS, FINDINGS AND CONCERNS

**TABLE 7: CCAP DEVIATIONS**

Observations Made	DEVIATIONS FOUND				
	Entity	Critical	Major	Minor	Total
2,668	IDLG	2	28	122	152
	MRRD	3	72	138	213
	<b>Total</b>	<b>5</b>	<b>100</b>	<b>260</b>	<b>365<sup>2</sup></b>

Road improvement sub-projects had the highest number of deviations (n=150) as well as the highest average of deviations per sub-project (5.5). Potable water sub-projects had the second-highest number of recorded deviations (n=121), with an average deviations per sub-project of 2.2, the same as for small-scale irrigation sub-projects. Energy sub-projects averaged 1.8 deviations per project.

- Most projects were completed and operational.
- Where delays had occurred, these were primarily attributed to late disbursements to CDCs or Gozar Assemblies (GAs).
- Deviations were more likely to arise in road improvement and potable water sub-projects.

<sup>1</sup> Physical Monitoring staff visited a total of 122 sub-projects implemented by 111 CDCs, but we did not conduct a financial review of all of them.

<sup>2</sup> 11 Deviations are currently Unclassified and will be addressed in subsequent reporting.

- Deviations were most frequently attributed to poor workmanship, materials or maintenance.
- Lack of supervision by MRRD and CCAP district and contractor engineers was identified as a concern.
- Operations and Maintenance (O&M) plans were widely available but not always implemented.
- Most respondents reported that 60 percent or more of eligible voters had participated in CDC elections.
- Most CDCs had formed sub-committees. Where formed, these were active to varying degrees.
- The majority of CDC members reported having received training.
- Two-thirds of respondents said that they took part in CDC activities. Women accounted for up to one-quarter of reported participants in CDC mobilization activities.
- Women's participation in CDC elections tended to be over-stated slightly by men and appeared to be linked to their participation in other CDC activities.
- The project is non-compliant to a limited degree in relation to environmental safeguard requirements, primarily due to lack of ESS documentation at the community level.
- Although most respondents reported that Grievance Redress Committees had been established, the project is non-compliant to a limited degree in relation to social safeguards requirements. Close to half of the respondents lacked awareness of social safeguard elements.

## EDUCATION QUALITY REFORM IN AFGHANISTAN (EQRA)

We carried out a financial review of procurement, contracting, and financial documentation for 113 CDCs implementing sub-projects involving either the construction of new schools or the rehabilitation of existing ones, and in-person site visits to 69 schools in 11 provinces.

### FINANCIAL PROGRESS VERSUS ASSESSED PHYSICAL PROGRESS

- Financial Progress was assessed at 93 percent, higher than the assessed Physical Progress of 88 percent.
- The Financial Monitoring team reviewed 113 EQRA CDCs, but this report covers 68 where joint Financial and Physical Monitoring had been completed in time for this report<sup>3</sup>. Also, of the 68 CDCs, verification of documentation and procurement review is ongoing for 12 CDCs, but this only impacts on the results of Questionable Transactions reported below.
- For 26 of the 68 CDCs reviewed, we found that financial progress percentage exceeded the assessed physical progress percentage, resulting in excess payments amounting to AFN 18,455,847.

### RED FLAGS

We identified 26 red flags relating to excess payments made, totalling AFN 18,455,847. These are shown in Table 9 below and itemised in the full report.

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<sup>3</sup> One CDC visited by the Physical Monitoring team was not reviewed by the Finance Monitoring team in April. This is expected to be completed and reported on in our next report.

**TABLE 8: EQRA FINANCIAL PROGRESS SUMMARY**

FINANCIAL PROGRESS SUMMARY	
Number of CDCs monitored	68
Number of Sub-Projects Monitored	68
Average Financial Progress Percentage	93 percent
Average Physical Progress Percentage	88 percent
Value of Contracts Monitored	AFN 366,927,863
Estimated Overpayments	AFN 74,111,020
Overpayments as a Percentage of Contract Value	20 percent

**TABLE 9: EQRA EXCESS PAYMENTS, QUESTIONABLE TRANSACTIONS AND RECTIFICATION COSTS**

	NO. OF CDCs AFFECTED	AMOUNT (AFN)
Excess Payment Red Flags	26	18,455,847
Questionable Transactions	14	48,036,713
Estimated Rectification Costs	41	7,618,460
<b>Total Estimated Overpayments</b>		<b>74,111,020</b>

Most of the reported Questionable Transactions (equivalent to AFN 43,376,567) arise from lack of adequate financial documentation (invoices, progress reports, receipts, etc.) to substantiate the validity of the transactions. We propose to continue to request missing documentation and follow-up on progress made in our next report.

## DEVIATIONS, FINDINGS AND CONCERNS

**TABLE 10: EQRA DEVIATIONS**

Observations Made	DEVIATIONS FOUND			
	Critical	Major	Minor	Total
2,075	7	53	72	132

- At the time of the site visits, less than 10 percent of sub-projects had been completed. This figure is at variance with the status indicated by the MRRD and MoE MIS, which shows all but one sub-projects as completed.
- The CDCs outsourced 30 percent of the sampled sub-projects to contractors.
- Most Critical and Major deviations arose from the workmanship, as well as the quality of materials.
- Deviations were most frequently attributed to lack of supervision by MRRD district engineers and the Community Participatory Monitoring Committee.
- Most community members confirmed consultation had taken place in the planning phase. A much smaller percentage of CDC members reported making a community contribution.
- Just over half of sub-project construction sites used safety equipment. 13 CDCs reported injuries to workers.
- Although respondents shared concerns about sub-projects, there was a lack of awareness about Grievance Redress Mechanisms.
- Almost no schools have adequate facilities for both girls and boys, or for female teachers.

## NATIONAL HORTICULTURE AND LIVESTOCK PROJECT (NHLP)

We carried out a joint Financial and Physical Monitoring review of the provision of poultry and mini-tractors in three provinces. For Financial Monitoring, we performed a high-level review of procurement processes and verified payments made to the Implementing Partners and suppliers.

In relation to the provision of poultry:

- 26 registered beneficiaries in Paktiya stated that they had not received any of the 100-layer birds to which they were entitled;
- A further two beneficiaries, one from Paktiya, one from Kabul, reported that they had received less than their entitlement; and
- The provision of 1,000 Improved Backyard Poultry in Kabul was initially intended for Uruzgan province, as per the procurement plan approved by the Bank, but was re-allocated to Kabul. We found no evidence that this re-allocation had been approved by the Bank, and the procurement plan still shows the activity as allocated to Uruzgan.

In relation to the provision of mini-tractors:

- 19 recipients of mini-tractors reported making cash contribution over-payments compared to the contractual contribution of AFN 64,688. These additional sums ranged from AFN 13 to AFN 10,313.
- 14 of the 19 beneficiaries stated that they had paid AFN 65,000 compared to the contractual contribution of AFN 64,688. A further three beneficiaries stated they had made overpayments totalling over AFN 21,000.

## TRANS-HINDUKUSH ROAD CONNECTIVITY PROJECT (THRCP)

We carried out a joint Financial and Physical Monitoring review of procurement, contracting, and financial documentation and in-person monitoring visits to two segments of THRCP managed by the Ministry of Public Works.

### FINANCIAL PROGRESS VERSUS ASSESSED PHYSICAL PROGRESS

- During site visits on 20 and 21 March 2020, an engineer from our Physical Monitoring team assessed the project's physical progress at 25 percent. As this is less than the financial progress percentage of 38 percent, we estimate that excess payments have been made to the contractor in the amount of USD 2,848,441. This excess payment is primarily as a result of an outstanding advance of USD 4,415,985 paid at the start of the contract.
- Also, with the intended completion date of 28 July 2020, contractual non-performance is considered highly likely considering that only 25 percent physical progress has been achieved by 21 March 2020.

### RED FLAG

In light identified excess payment referred to above, we have initiated a detailed procurement review and expect to report the results of our review in May 2020.

**TABLE 11: THRCF FINANCIAL PROGRESS SUMMARY**

FINANCIAL PROGRESS SUMMARY	
Contract Value of Sample	USD 22,079,928
M16 Number	1710
M16 Date	26 November 2019
M16 Amount	USD 132,810
Interim Payment Certificate Number	5
Measurement Date	17-20 November 2019
Contractor Payments Made to Date	USD 8,368,423
Financial Progress Percent per Financial Monitoring Team's Calculations and Project Engineer's Report	38 percent
Excess Payment	USD 2,848,441

**DEVIATIONS, FINDINGS AND CONCERNS**

DEVIATIONS FOUND				
Observations Made	Critical	Major	Minor	Total
93	0	13	5	18

From our site visits, we identified the following:

- While we observed no Critical (Life-Threatening) infrastructure deviations, several Major deviations pose future risks if not rectified;
- General good management practices were observed, with some discrepancies;
- In relation to documentation, the sub-project is non-compliant to a limited degree with environmental safeguard requirements.
- Construction activity has resulted in severe consequences for the environment and community.
- While the sub-project meets a majority of required social safeguard standards, the contractor's relationship with its workforce and suppliers and some results of construction activities could have serious negative impacts.

**WOMEN'S ECONOMIC EMPOWERMENT RURAL DEVELOPMENT PROJECT (WEE-RDP)**

We conducted 42 in-person monitoring visits in Kabul, Paktiya, and Panjshir to 108 SHGs.

Our principal findings were as follows:

- MRRD Social Organizers are trained, but most face challenging social norms in establishing women's SHGs. CDCs are a key resource.
- Women most frequently cited financial benefits as their reason for participating.
- SHGs received training on financial/savings, administration and capacity development.
- Only one in five SHG members view membership as a financial support mechanism.
- The average weekly contribution is AFN 22, dropping to less than half that in Paktiya.
- For most SHG members, the timing and location of SHG meetings are inconvenient.
- WEE-RDP has not yet reached a stage that would involve construction, so many elements of Environmental Social Safeguards are not currently applicable.

## RED FLAG

At the outset of the monitoring task, we proposed to monitor 46 communities. However, in Bagrami district in Kabul province two communities recorded in the MIS as having SHGs (Naw Abad Kheil and Hassan Khan Sufla) did not do so. We identify this as a red flag for the project given the potential financial implications.

## INTERNAL CONTROL ASSESSMENT OF FSP

In Q1 2020, we conducted an internal control assessment of FSP. Our overall assessment of internal controls over project funds is that of a ‘Significant Deficiency’, as summarised below.

**TABLE 12: SUMMARY ASSESSMENT OF FSP INTERNAL CONTROLS**

AREA	NO. OF CONTROLS TESTED	NO. OF EXCEPTIONS IDENTIFIED	ASSESSMENT
Procurement and Contract Management	6	6	Deficiency
Payroll and HRM	18	8	Significant Deficiency
Financial Management	8	8	Significant Deficiency
Governance and Oversight	4	1	Deficiency
Complaints and GRM	1	1	Significant Deficiency
<b>Overall Assessment</b>	<b>37</b>	<b>24</b>	<b>Significant Deficiency</b>

Our assessment rating system is set out in the report.

We also noted good practices in the project: the oversight and institutional arrangements were found to be operating effectively, and payroll was found to have been accurately processed, properly approved and supported by relevant documentation.

## REVIEW OF PROCUREMENT TRANSACTIONS AND OTHER EXPENDITURE FOR FY 1398

The results of our transactions testing of the 13 projects that were in-scope for FY 1398 is as follows:

- Project expenditure totalled AFN 36,160.48m up to Q4 of FY 1398.
- Expenditure of AFN 21,612.46m was sampled.
- AFN 21,612.46m has been tested to date; and
- AFN 5,565.59m has been classified as non-compliant, representing 28 percent of the transactions monitored.

Testing results by project are presented in Tables 27-30 of this report. Total expenditure of AFN 36,160.48m comprised AFN 32,851.56m (91 percent) procurement/non payroll and AFN 3,308.92m (9 percent) payroll expenditures. The major reason for non-compliant payroll expenditure was due to inadequate supporting documentation. The reasons for classifying procurement/non-payroll-based expenditure as non-compliant are as follows:

- Non-compliance with procurement procedures (59 percent).
- Authorised approval not available (7 percent).
- Procurement files/M16s (payment documents) not made available for review (30 percent); and
- Other non-compliant expenditures (4 percent).



## SCOPE AND METHODOLOGY

### PHYSICAL MONITORING

Our in-person physical monitoring site visits and other monitoring activities provide the World Bank Task Teams with a review of the quality and implementation of applicable environmental and social safeguard measures, compliance with applicable financial management and procurement rules, as well as monitoring of physical progress and performance in project implementation. In Q1 1399, we conducted 299 site visits for six projects, interviewing 1,884 respondents, including project staff, beneficiaries, and other community members.

**TABLE 13: SITE VISITS CONDUCTED**

PROJECT	SITE VISITS
ARAP	Site visits to three segments of the rehabilitation of road from Pol-e-Kama to Bar Kash Kot Village at Ch. 12+000 to Ch.24+639 km, Phase 2, Lot No. 1 in Kama district, Nangarhar.
CCAP	Site visits to 122 sub-projects of 111 CDCs across 20 provinces, interviewing 610 respondents, including 272 women and 338 men.
EQRA	69 site visits to schools across 11 provinces, interviewing 385 respondents.
NHLP	<p>Poultry Activity:</p> <ul style="list-style-type: none"> <li>• 59 site visits to Herat, Kabul and Paktiya; and</li> <li>• Interviews with 260 beneficiaries (all women).</li> </ul> <p>Mini-Tractor Activity:</p> <ul style="list-style-type: none"> <li>• Two warehouse visits in Baghlan and Parwan provinces; and</li> <li>• Telephone interviews with 46 mini-tractor recipients (all men) in 13 provinces.</li> </ul>
THRCP	Site visits to two sections of a two-lane national highway from Sta 0+000 (Doshi) to Sta 24+000 in Doshi district, Baghlan.
WEE-RDP	42 site visits of 108 Self-Help Groups in Kabul, Paktiya, and Panjshir, interviewing 574 respondents, including 508 women and 41 men <sup>4</sup> .

### SAMPLING

Our selection of site visits was based on a sampling method agreed with the Task teams and the World Bank's TPM Contract Management Unit. For each of the six projects, we tailored the sample to meet the project's unique requirements. The EQRA sample was a targeted sample proposed by the Bank. For the remaining five projects, the Physical Monitoring Team Lead worked with the Task Teams to identify general sampling criteria, then developed individualized sampling strategies based in part on geographical distribution of sub-projects, beneficiaries, and access. We then coordinated the sample selection across the Financial and Physical Monitoring teams and endorsed by World Bank staff prior to mobilization.

### DATA COLLECTION

For this monitoring period, we had 35 engineers and 182 researchers (116 women and 66 men) conducting assessments, key informant interviews, and telephone surveys between 27 February and 30 March 2020. As with the sampling approach, we adapted data collection activities to meet project demands and resource

<sup>4</sup> 25 respondents whose gender was not specified.

requirements. For projects with an infrastructure component, including ARAP, CCAP, EQRA and THRC, an engineer from our Physical Monitoring team conducted in-person monitoring site visits to assess both the infrastructure while a social researcher conducted key informant interviews for the project's 'soft components' (for example, social mobilization, Environmental and Social Safeguards (ESS), and gender). The engineer assessed various aspects of the construction project, assigning a score to different project elements, including design, materials, and workmanship based on the following grading criteria.

The scoring system used is based on that previously adopted by Management Systems International (MSI) in its role as Supervisory Agent for World Bank-funded projects in Afghanistan.

**TABLE 14: SCORING SYSTEM FOR INFRASTRUCTURE**

SCORE	RATING	DEFINITION
<b>Design</b>		
5	Very Good	The design was created with full consideration of the site requirements. The design is fully appropriate and allows for 100 percent of intended functionality and design life.
4	Good	The design was created with the consideration of most of the site requirements; however, small considerations could have reduced wear and tear and lowered maintenance requirements. Intended functionality is between 90 percent and 100 percent and design life is not impacted.
3	Average	The design considered only the major site requirements. Some of the design was inappropriate for the site and caused the project to have between 70 percent and 90 percent of intended functionality and a shorter design life.
2	Poor	The design barely considered any site requirements. Much of the design is inappropriate and severely lowers functionality to between 40 percent and 70 percent. Sustainability is negatively impacted, and the project will require far more maintenance than otherwise would be necessary.
1	Very Poor	The design does not consider any of the site requirements. The design is inappropriate, making the project unsustainable and non-functional (below 40 percent). Portions of the design may have not been feasibly implemented. If the project is currently working, it required serious deviations from the design in order to do so.
<b>Workmanship</b>		
5	Very Good	The workmanship meets all the [sub-project] specifications. The project is sustainable over the entire design life and there is 100 percent functionality.
4	Good	The workmanship meets most [sub-project] specifications with minor deviations in workmanship quality that has no impact on the sustainability and the project has at least 90 percent functionality.
3	Average	The workmanship quality meets the major specifications, but deviations have caused reduced sustainability (no longer the design life) and decreased functionality between 70 percent and 90 percent.
2	Poor	The workmanship quality deviates significantly from the specifications. There is marked impact on the sustainability of the project and significant decrease in the functionality to between 40 percent and 70 percent.
1	Very Poor	The project barely follows any specifications. The sustainability of the project is zero as there already is a need for serious reworking; functionality is below 40 percent.
<b>Materials</b>		
5	Very Good	The materials meet all the [sub-project] specifications. The project is sustainable over the entire design life and there is 100 percent functionality.

4	Good	The materials quality meets most [sub-project] specifications with minor deviations in workmanship quality that has no impact on the sustainability and the project has at least 90 percent functionality.
3	Average	The materials quality meets major specifications, but deviations have caused reduced sustainability (below the intended design life) and decreased functionality between 70 percent and 90 percent.
2	Poor	The materials quality deviates significantly from the specifications. There is marked impact on the sustainability of the project and significant decrease in the functionality to between 40 percent and 70 percent.
1	Very Poor	The project barely follows any specifications. The sustainability of the project is zero as there already is a need for serious reworking; functionality is below 40 percent.

Our data collection approach for WEE-RDP involved 23 researchers (22 women and 1 man) conducting in-person key respondent interviews with project beneficiaries, social organizers, and community members. Similarly, for the NHLP poultry activity, 28 female researchers conducted interviews with female beneficiaries. The mini-tractor activity required warehouse visits conducted by engineers who conducted assessments of the physical structure of the warehouse buildings and boundary walls, as well as an inventory of the mini-tractors stored there. Eight female researchers also conducted telephone surveys with a sample of 46 recipients to confirm that they had received the tractor, what, if any, contribution they had made, their satisfaction level, and whether the tractor was working when they received it. The purpose of this level of monitoring was to identify areas for further follow-up third party monitoring activities.

This is the first round of monitoring under the new TPM contract. Following the World Bank's guidance, we have employed the existing site visit monitoring tool employed by MSI in this initial period<sup>5</sup>. This ensured third-party monitoring service continuity during the transition period between suppliers. While we utilised the same site visit monitoring tool, we have adjusted the methodology in a few critical ways:

- We adopted SurveyCTO as our data collection software for the soft component since this can support data collection tools in Dari and Pashto, unlike the software used by the previous Supervisory Agent. We will shift to this software for our infrastructure data collection during May 2020.
- For the infrastructure component, we have introduced the use of short audio files, in which the engineer records his observations throughout the assessment in lieu of writing down notes once he returns from the site visit. This allows for an immediate and more accurate reflection of findings. We are also using this approach throughout the data collection tools for key informant interviews. This permits researchers to capture respondents' answers in lieu of taking notes. In each case, we obtain respondents' permission to record their responses before beginning the interview.

We are now calculating all deviations the engineer observes during a site visit. This will result in a higher number of deviations per site visit than what was recorded previously, but the benefit is a more complete picture of all deviations and observations from each site visit.

We have introduced scoring for the ESS elements, based on criteria agreed with the World Bank (see Table 15). This scoring is meant to provide the ESS team members with a more systematic assessment of how projects are performing within the ESS framework. We will continue to work with the ESS Practice Group members to refine our scoring and reporting on this crucial project component.

<sup>5</sup> The exception is the telephone survey tool for the NHLP mini-tractor activity, which we developed.

TABLE 15: SCORING SYSTEM FOR ENVIRONMENTAL AND SOCIAL SAFEGUARD COMPLIANCE

CONDITION	PHYSICAL DESCRIPTION
Non-compliant to a limited degree	<ul style="list-style-type: none"> <li>• A minority of required plans and procedures, including those required in advance of expenditure and civil works, have not been completed.</li> <li>• A minority or required plans and procedures are not being implemented as agreed.</li> <li>• A minority of appropriate documentary evidence of implementation is not available during site visits.</li> <li>• A minority of appropriate documentary evidence to attest the sufficient quality of plans and procedures is not available during site visits.</li> <li>• May be capable of being rectified with moderate adjustments and expenditure.</li> </ul>
Non-compliant to a limited degree	<ul style="list-style-type: none"> <li>• Half or more of required plans and procedures, including those required in advance of expenditure and civil works, have not been completed.</li> <li>• Half or more of required plans and procedures are not being implemented as agreed.</li> <li>• Half or more of appropriate documentary evidence of implementation is not available during site visits.</li> <li>• Half or more of appropriate documentary evidence to attest the sufficient quality of plans and procedures is not available during site visits.</li> <li>• Non-compliance may not be capable of being rectified or rectification will require significant resources and time.</li> </ul>
Compliant	<ul style="list-style-type: none"> <li>• All required plans and procedures, including those required in advance of expenditure and civil works have been completed and have been or are being implemented.</li> <li>• Documentary evidence of implementation is available and can be observed during site visits.</li> <li>• Documentary evidence is available to attest the sufficient quality of plans and procedures as implemented.</li> </ul>
Compliance in progress	<ul style="list-style-type: none"> <li>• Planning for and/or implementation of required plans and procedures is under way (such as land acquisition arrangements), even if they have not yet been completed.</li> <li>• Documentary evidence is available to attest the sufficient quality of planning and/or implementation.</li> </ul>

## ANALYSIS

Following the site visits, members of the Physical Monitoring team conducted quality assurance checks of the data and transcribed the individual audio files from Dari or Pashto into English. They also translated the data from the qualitative questions. Members of the Analysis and Reporting team conducted additional quality assurance checks of 10 percent of all site visits across all six projects. The Analysis and Reporting Team then used MS PowerBI to conduct analysis of the quantitative data. For this monitoring round, we have manually analysed the qualitative data using MS Excel; in the near future, we propose to use NVivo software.

Following an initial review of the data, we held a preliminary analysis workshop with members of the Physical Monitoring and Analysis & Reporting teams. Based on workshop discussions and further questions, the team conducted additional analysis which culminated in a second group analysis workshop before production of individual project reports.

## INTERNAL CONTROL ASSESSMENT

The objective of Internal Control Assessments is to review the adequacy and effectiveness of governance, risk management and control processes over the effective management of project activities implemented by the MoF. Our assessment of project funds being used by Supreme Audit Office (SAO) and National Procurement Authority (NPA) are reported in the FSP Review of Internal Controls, attached to this report.

Our review included an assessment of the following significant processes in five areas:

- Procurement & Contract Management: Procurement policy; Procurement Planning, Solicitation and Selection; Contract Approval and Management;
- Payroll and HRM: Human Resources Policy and Management; Recruitment and Selection; Payroll Processing and Maintenance;
- Financial Management: Financial Management Policies; Preparation of Consolidated IUF; Advances and Petty Cash; Payment Processing;
- Governance and Oversight: Audit and Accountability Framework; Institutional Arrangements; and
- Complaints, Fraud and Corruption: Grievance Redress Mechanism.

Our FSP Review of Internal Controls took place between November and December 2019 and covered transactions incurred since the project's inception until 21 June 2019. The methodology included:

- Interviews with key personnel;
- Reviews of relevant documentation;
- Analytical reviews of data; and
- Sample testing.

As this was not an audit or substantive test of transactions, we selected a limited number of samples to test the operating effectiveness of key controls. Our limited sample selection was completed on a risk basis and on the frequency of the transactions as shown below.

**TABLE 16: SAMPLE SIZE FOR INTERNAL CONTROL ASSESSMENT BY FREQUENCY**

FREQUENCY OF CONTROLS	ASSUMED POPULATION SIZE	SAMPLE SIZE
Annual	1	1
Quarterly	4	2
Monthly	12	2-5
Weekly	52	5-10
Daily	250	20-30
Multiple times a day	Over 250	25-50

On this basis, our samples by area are summarised below.

**TABLE 17: SAMPLE SIZE FOR INTERNAL CONTROL ASSESSMENT BY AREA**

AREAS	SAMPLE SIZE
Procurement and Contract Management	7
Payroll and HRM	19
Financial Management	16
<b>Total</b>	<b>42</b>

This level of testing has been designed to identify control weaknesses and to provide recommendations for improvements in what is a high-risk environment. Our review was not an audit and as such does not

provide any assurance. That said, given the number of weaknesses identified through this limited review, we would not expect to be able to provide assurance regardless of the level of testing performed.

Exceptions and findings in this report were classified as a ‘Deficiency’, ‘Significant Deficiency’, or ‘Material Weakness’, as defined below.

**TABLE 18: CLASSIFICATION OF DEFICIENCIES AND MATERIAL WEAKNESS**

CLASSIFICATION	DEFINITION
DEFICIENCY	Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that warrants management’s attention.
SIGNIFICANT DEFICIENCY	Internal controls, governance and risk management practices contain deficiencies, or a combination of deficiencies, that present a moderate risk to the achievement of the objectives or occurrence of material misstatement in the financial reports.
MATERIAL WEAKNESS	Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that there are reasonable assurance objectives may not be met or that the financial reports may contain material misstatement.

## TESTING OF FY 1398 TRANSACTIONS

The objectives of transaction testing are:

- To review the financial transactions that relate to specific site/sub-projects and to assess whether the financial execution was in line with physical progress and identify possible issues for further review;
- To review procurement transactions, for project sites determined using a risk-based sampling methodology as described below; and
- To carry out testing to determine whether purchases were approved by the Bank in the procurement plan and were carried out in compliance with the Bank’s applicable procurement guidelines. This review also included contract amendments during implementation.

The testing of project transactions was conducted between May 2019 and March 2020 and covered the period from 22 December 2018 to 21 December 2019. We completed the testing of transactions of sampled expenditure AFN 21,612.46m planned to be verified and reported by the end of April 2020.

Transactions were tested relating to specific sites and sub-projects visited by MSI as Supervisory Agent between April and September 2019. Separate monthly reports of those specific sites and sub-project were submitted covering testing results and to assess whether financial execution was in line with the physical progress reported by the Supervisory Agent.

Sample selection was conducted at an individual project level with 60 sample units per year drawn from the set of expenditure, with the exception of CCAP projects where the total sample size was 100 sample units. A weighted sampling approach was used to ensure the probability of any one supplier being selected for verification based on the value of the contracts. Supervisory Agent verification planning was used to help with the overall selection of targeted samples of sub-projects up to September 2019.

# RESULTS OF PHYSICAL MONITORING IN Q1 2020

## CONTEXT AND ITS IMPACT

At the national level, there were three principal events occurring during this first quarterly monitoring period with varying implications for programming and TPM activities.

### CORONAVIRUS AND COVID-19

The first case of COVID-19 in Herat was announced on 24 February 2020. The virus that causes the disease has since spread throughout the country. At the date of this report there were 3,392 reported cases and 104 deaths. The highest number of reported cases are in Kabul (779) and Herat (571), as well as in Kandahar (393), Balkh (208) and Paktiya (125). Afghanistan's testing capacity remains insufficient and reported cases are unlikely to reflect actual infection rates.

On 28 March 2020, the Government announced a three-week lock-down for Kabul and Herat provinces, which has been subsequently extended. Other areas of the country have instituted similar lockdowns.

The economic impact of the lockdowns on the country's workers, who are not salaried and rely primarily on day wages is significant. Most people will not be able to afford food and other essentials without support.

### Impact

The pandemic response has required a shift in project focus and resources, including the suspension of some project activities that are not a priority in the context of the pandemic, and how we operate.

We already adjusted our approach to data collection to ensure that we employ a 'do no harm' approach with both our staff and respondents. We have drafted a COVID-19 contingency plan which has been shared with the World Bank and is updated as required. As far as is practicable, all project staff in Afghanistan are working remotely.

In terms of physical monitoring, we are focusing on infrastructure assessments that can be undertaken by engineers alone or with limited contact with other people, employing appropriate social distance protocols. For soft component data collection, we have started using telephone interviews and surveys. We have suspended in-person interviews with women, which would normally require entering their homes, except where social distancing can be practised.

### US-TALIBAN PEACE AGREEMENT

On 29 February 2020 the US Government announced that it signed a peace agreement with the Taliban. The agreement includes the withdrawal of coalition forces in 14 months conditional on the Taliban upholding the deal. Inter-Afghan talks were meant to follow but have been slow to materialize. Disagreements between the Afghan Government and the Taliban over prisoner exchanges and identifying the members of the Government's negotiating team have slowed the process.

On 5 April 2020 the Taliban issued a warning to the US Government that the deal was at 'breaking point' and that they would increase the level of violence if what they considered to be violations of the agreement continued.

## Impact

While there have been no immediate impacts for project and TPM activity arising from the peace negotiations the continued conflict poses a persistent security risk for project activities and beneficiaries. Our Physical Monitoring team have developed a range of means to be able to continue their work including in areas where the Taliban operate. However, project and TPM activities could be negatively impacted in the short term if the Taliban make good on their threat of increased violence.

## AFGHAN POLITICAL DEVELOPMENTS

On 9 March 2020, incumbent President Ashraf Ghani held his inauguration following the Independent Election Committee's finding on 22 February 2020 that he had won the 2019 Presidential Election. However, Dr Ghani's Chief Executive Dr Abdullah Abdullah refused to accept the decision, citing irregularities, and held a parallel inauguration for himself. Negotiations between the two camps continue, and in early May there appeared to be progress in reaching an accommodation between the two parties.

## Impact

The uncertainty over the political situation led the US Government to threaten to reduce its aid to Afghanistan, and while the political situation has not directly impacted on project and TPM activities to date, the wider context of uncertainty over the country's future and key donor commitments will need to be kept in mind.

## MEASURING FINANCIAL AND PHYSICAL PROGRESS

From Q1 2020, we have begun to develop ways to bring together the results of financial and physical monitoring to provide. For Q1 2020, we have adopted two approaches for projects with infrastructure components:

- We compare reported financial progress and with assessed physical progress to determine whether any overpayment has been made; and
- We estimate the cost of rectifying of deviations identified for each project, based on the median of a range figure provided by the TPM engineer during his site visits.

## COMPARING FINANCIAL AND PHYSICAL PROGRESS

In the case of ARAP, Financial Progress was assessed at 82 percent, which was less than the assessed Physical Progress of 90 percent, and therefore we identified that no overpayment had been made. In the case of THRCP, however, the engineer's report estimated project progress at 38 percent which, compared to the funds already disbursed, suggested an excess payment of USD 2,848,441 having been made.

For CCAP and EQRA, assessing physical progress made against payments, we identified 14 red flags for CCAP relating to excess payments made, totalling AFN 13,599,316, and 26 red flags relating to excess payments made for EQRA, totalling AFN 18,455,847.

## DEVIATIONS AND RECTIFICATIONS

The table below sets out the deviations identified by project in Q1 2020. It also provides an estimated cost of rectification for each deviation, based on the media of a range figure provided by the TPM engineer during his site visits. The Costs of Rectification shown reflect engineer's on-site estimates but are not based on a market exercise for the local or transported cost of labour and materials.



TABLE 19: SUMMARY OF DEVIATIONS FOUND IN THIS REPORTING PERIOD

PROJECT	DEVIATIONS FOUND					Cost of Rectification
	Observations	Critical	Major	Minor	Total	
ARAP	152	0	23	26	49	AFN 2,374,061
CCAP	2,668	5	100	260	365	AFN 4,620,247
EQRA	2,075	7	53	72	132	AFN 7,618,460
THRCP	93	0	13	5	18	AFN 728,507
<b>Total</b>	<b>4,988</b>	<b>12</b>	<b>189</b>	<b>363</b>	<b>564</b>	<b>AFN 15,341,275</b>

By agreement with the World Bank, we continue to track legacy Critical and Major deviations identified by the previous Supervisory Agent and with the status of Open or Pending as at the end of 2019. These are shown in the table below, but in the absence of more detail about each deviation, no estimated cost of rectification has been applied.

TABLE 20: LEGACY DEVIATIONS FROM 2019

PROJECT	OPEN AND PENDING LEGACY DEVIATIONS AT DECEMBER 2019			
	Critical	Major	Unclassified	Total
AAIP	19	104	0	123
ARAP	0	100	1	101
CCAP	11	270	2	283
EQRA	0	18	1	19
HEDP	0	15	0	15
IRDP	1	47	0	48
OFWMP	0	61	0	61
THRCP	3	45	0	48
<b>Total</b>	<b>34</b>	<b>660</b>	<b>4</b>	<b>698</b>

### Critical Deviations

Our engineers observed 12 Critical (Life-Threatening) deviations in this monitoring period and we have reported them to relevant Task Teams and Ministry PMUs. These critical deviations are shown below.

TABLE 21: CRITICAL DEVIATIONS OBSERVED IN THIS REPORTING PERIOD

CCAP	<ul style="list-style-type: none"> <li>• Jawzjan: Missing reservoir ventilation pipe, posing a hygiene risk.</li> <li>• Khost: Broken ladder handrails, posing a health and safety risk.</li> <li>• Khost: Light bulb sockets and switches not waterproof, posing a health and safety risk in rainy weather.</li> <li>• Balkh: Safety sign boards and flag man not available at the construction side. Children walking around the grader machine during subgrade preparation.</li> <li>• Nangarhar: Critical deviation in a retaining wall.</li> </ul>
EQRA	<ul style="list-style-type: none"> <li>• Faryab: Doors and windows not properly installed, posing a health and safety risk to students.</li> <li>• Herat: <ul style="list-style-type: none"> <li>– School located in a landslide-impacted area and at high risk from landslide and flood.</li> <li>– Workers were not equipped with Personal Protective Equipment (PPE) during the site visit.</li> </ul> </li> </ul>

- Electrical cabling not properly installed, with the risk of short-circuiting and posing a health and safety risk
- Latrine concrete roof not constructed using the proper mix, posing a risk of structural failure over time.
- Latrine access ramp excessively steep, posing a risk for disabled users.
- Khost: Site levelling, cutting and filling was not properly done and had a high risk of failing.

## SOFT COMPONENTS

We classify project elements that are not related to infrastructure as ‘soft components’. These include social mobilization activities such as Community Development Committee (CDC) elections, the formation of CDC sub-committees, and community participatory learning activities. We also include projects that do not have infrastructure activities, like NHLP or WEE-RDP in this category. The table below presents the main findings for those projects with soft components.

**TABLE 22: SOFT COMPONENTS FINDING**

PROJECT	SUMMARY OF FINDINGS
CCAP	<ul style="list-style-type: none"> <li>• Most respondents reported that 60 percent or more of eligible voters had participated in CDC elections.</li> <li>• Most CDCs have formed sub-committees. Where formed, these are active to varying degrees.</li> <li>• The majority of CDC members reported having received training.</li> <li>• Two-thirds of respondents said that they took part in CDC activities. Women accounted for up to one-quarter of reported participants in CDC mobilization activities.</li> <li>• Women’s participation in CDC elections tends to be over-stated slightly by men and appears to be linked to their participation in other CDC activities.</li> <li>• The project is non-compliant to a limited degree in relation to environmental safeguard requirements, primarily due to lack of ESS documentation at the community level.</li> </ul>
EQRA	<ul style="list-style-type: none"> <li>• Most community members confirmed consultation had taken place in the planning phase. A much smaller percentage of CDC members reported making a community contribution.</li> <li>• Although respondents shared concerns about sub-projects, there is a lack of awareness about Grievance Redress Mechanisms.</li> <li>• Almost no schools have adequate facilities for both girls and boys, or for female teachers.</li> </ul>
NHLP	<p>In relation to the provision of poultry:</p> <ul style="list-style-type: none"> <li>• 26 registered beneficiaries in Paktiya stated that they had not received any of the 100-layer birds to which they were entitled;</li> <li>• A further two beneficiaries, one from Paktiya, one from Kabul, reported that they had received less than their entitlement; and</li> </ul> <p>In relation to the provision of mini-tractors:</p> <ul style="list-style-type: none"> <li>• 19 recipients of mini-tractors reported making cash contribution over-payments compared to the contractual contribution of AFN 64,688. These additional sums ranged from AFN 13 to AFN 10,313.</li> <li>• 14 of the 19 beneficiaries stated that they had paid AFN 65,000 compared to the contractual contribution of AFN 64,688. A further three beneficiaries stated they had made overpayments totalling over AFN 21,000.</li> <li>• A small number of respondents appeared not to be engaged in agriculture.</li> </ul>
WEE-RDP	<ul style="list-style-type: none"> <li>• MRRD Social Organizers are trained, but most face challenging social norms in establishing women’s SHGs. CDCs are a key resource.</li> </ul>

	<ul style="list-style-type: none"> <li>• Women most frequently cited financial benefits as their reason for participating.</li> <li>• SHGs received training on financial/savings, administration and capacity development.</li> <li>• Only one in five SHG members view membership as a financial support mechanism.</li> <li>• The average weekly contribution is AFN 22 and less than half that in Paktiya.</li> <li>• For most SHG members, the timing and location of SHG meetings are inconvenient.</li> </ul>
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TABLE 23: ESS FINDINGS

PROJECT	SUMMARY OF FINDINGS
ARAP	<ul style="list-style-type: none"> <li>• The sub-project is non-compliant to a limited degree with environmental safeguard requirements. The contractor's implementation of components of environmental safeguards is mixed.</li> <li>• Positively, the contractor engaged the community in identifying the quarry area, borrow pit, and work campsite. However, the engineer noted the absence of a dust control programme, the Environmental and Social Management Plan (ESMP) was not available for inspection, and the contractor had also obtained sand and gravel from the riverbed without written permission from ARAP.</li> <li>• A few elements of social safeguards are implemented but appear to be ineffective. The regional level ARAP safeguard focal point for the sub-project is not available. The contract for the focal point ended three months prior to the site visit and was not extended. This vacancy makes it challenging for the project to prioritise and address safeguarding issues.</li> </ul>
CCAP	<ul style="list-style-type: none"> <li>• The project is non-compliant to a limited degree with environmental safeguard requirements, primarily due to lack of ESS documentation at community level.</li> <li>• Two-thirds of respondents reported no impacts caused by transporting materials to the construction site. Of those who did, dust pollution, land degradation and soil erosion were the principal issues reported.</li> </ul>
EQRA	<ul style="list-style-type: none"> <li>• Less than one-third of respondents could identify whether the ESMP was available at the construction site.</li> <li>• First aid kits were not available at almost three-quarters of sub-project construction sites. Workers at almost 60 percent of sites were observed wearing Personal Protective Equipment (PPE).</li> <li>• 21 respondents from 13 CDCs reported that workers had been injured during construction work.</li> </ul>
NHLP	<ul style="list-style-type: none"> <li>• Only a few elements of the ESS Framework are relevant to project activity, limited the potential for questions to be asked about these components.</li> <li>• When asked if project activities were negatively impacting the environment, the majority said not.</li> </ul>
THRCP	<ul style="list-style-type: none"> <li>• The sub-project is non-compliant to a limited degree with environmental safeguard requirements (largely relating to documentation), but construction activity has resulted in severe consequences for the environment and community.</li> <li>• The sub-project meets a majority of the required social safeguard standards, but the contractor's poor reported relationship with workers and suppliers (including non-payment) and some results of construction activities may have serious negative impact, including as a result of severe flooding and insufficient drainage.</li> </ul>
WEE-RDP	<ul style="list-style-type: none"> <li>• The project has not yet reached a stage that would involve construction, so many of the ESS elements are not currently relevant to the project. We therefore did not collect data on questions related to environment, health and safety, and land acquisition at this stage of the project.</li> <li>• Focusing on relevant components of social safeguards, we interviewed 14 project staff members representing Grievance Redress Committees (GRCs). Most (n=12) confirmed that GRCs were in place. Eight project staff members responded that a total of 41 grievances had been reported, with 34 resolved to date.</li> </ul>

TABLE 24: GENDER FINDINGS

PROJECT	SUMMARY OF FINDINGS
ARAP	No data related to gender elements of the project is available.
CCAP	Women's participation in CDC elections is higher than their participation in social mobilization processes.
EQRA	Almost no schools have adequate facilities for both girls and boys, or for female teachers.
NHLP	All of the beneficiaries of the poultry activity are women, however, there were no specific gender-related questions in the data tool.
THCRP	<ul style="list-style-type: none"> <li>The social and gender safeguards documents were not available for inspection during the site visit.</li> <li>Although community members reported that a gender focal point for THCRP conducted several meetings with women, documentary evidence for these consultations was not found during the site visit.</li> </ul>
WEE-RDP	<ul style="list-style-type: none"> <li>This project is designed to work directly with women to provide access to small savings and loan capacity. Gender-sensitivity is an important element to the project's ability to access beneficiaries and their participation in the SHGs. In communities with conservative social norms, earning the trust and permission from the male heads of households for their female family members to join SHGs.</li> <li>The project has also adapted the women-only SHG membership to permit men to join or have formed SHGs for men. Understanding contextual norms and adjusting project approaches is one of the ways that this project is ensuring implementation is following best practice when it comes to gender.</li> </ul>

## INTERNAL CONTROL ASSESSMENT OF FSP

Overall, we tested 37 key controls at the FSP, of project components being implemented by the MoF, and found 24 exceptions. Our overall assessment of internal controls over project funds was that of a 'Significant Deficiency'. Our analysis of the exceptions is provided below.

**TABLE 25: ANALYSIS OF EXCEPTIONS**

	DEFICIENCY	SIGNIFICANT DEFICIENCY	MATERIAL WEAKNESS	TOTAL
Procurement and Contract Management	3	3	-	6
Payroll and HRM	4	4	-	8
Financial Management	4	3	1	8
Governance and Oversight	-	1	-	1
Complaints and GRM	-	1	-	1
<b>Total</b>	<b>11</b>	<b>12</b>	<b>1</b>	<b>24</b>

We made the following key recommendations to address the findings.

**TABLE 26: FSP RECOMMENDATIONS**

AREA	RECOMMENDATION
Procurement and Contract Management	<ul style="list-style-type: none"> <li>• Ensure submission of conflict of interest declarations by bid evaluation committee members and those participating in procurement.</li> <li>• Improve efficacy of the review mechanism in place to ensure effective discharge by the Performance Management Team of its oversight over procurement processes by:               <ul style="list-style-type: none"> <li>– Strengthening its compliance checks through providing documented input/review at each stage of the procurement process, which includes checking that the Bank's approved Standard Bidding Document (SBD) are being used;</li> <li>– Ensuring consistency of information in the procurement plan, SBD and advertisements, as part of an early review mechanism designed to prevent non-compliance with the Bank's requirements; and</li> <li>– Checking that bid evaluations, for both joint ventures and non-joint ventures, comply with the method disclosed in the SBD.</li> </ul> </li> <li>• Ensure that Contract Award Notices include details of all bidders together with the bid prices, as stipulated in Para. 5.94 (p.31) of the Procurement Regulations.</li> </ul>

AREA	RECOMMENDATION
Payroll and Human Resources Management	<ul style="list-style-type: none"> <li>• Improve document retention.</li> <li>• Develop a review mechanism to reconcile the number of candidates on the longlist to the number of submitted CVs.</li> <li>• Introduce a specific, written, requirement for panel members' sign-off/confirmation that the shortlisted candidates meet the minimum eligibility requirements of the ToR.</li> <li>• Require Human Resources Directorate to perform a documented recalculation of marks awarded at interviews and attest that the candidate with the highest mark was selected.</li> <li>• Check qualifications and references of successful candidates.</li> <li>• Ensure appointed panel members participate in the shortlisting and interview processes.</li> <li>• Implement a formal and documented induction programme for new recruits.</li> </ul>
Financial Management	<ul style="list-style-type: none"> <li>• Revise the Interim Un-audited Financial Report (IUFR) to ensure the proper accounting of USD 646,886 advanced to the NPA for the purchase of the six armoured vehicles. Appropriate training, supervision and guidance should be provided to staff when complex financial transactions are being accounted for.</li> <li>• Organise appropriate training for project finance staff on the requirements of the World Bank's Financial Management Manual.</li> <li>• Enhance the efficacy of the IUFR review process by ensuring proper disclosures of the 'Cumulative to Date' and 'Year to Date' amounts.</li> <li>• Perform a reconciliation of the disclosed amounts for petty cash and advances in the IUFR, to the advances and petty cash registers/ledgers, M12 Acquittal Forms and other supporting documentation.</li> <li>• Ensure timely acquittal of advances and petty cash, in accordance with the one-month deadline stipulated in the Accounting Manual.</li> <li>• Perform weekly and unannounced counts of the project's petty cash floats.</li> <li>• Enhance efficacy of the review mechanism over the awarding of Request for Quotation (RfQ) procurement to address the risk of contracts being awarded prior to conclusion of the formal evaluation process</li> </ul>
Governance and Oversight	Conduct semi-annual internal audit reviews in accordance with the World Bank's Project Appraisal Document (PAD).
Complaints and GRM	Maintain a formal GRM as stipulated in the Work Bank financing/grant agreements.

## RESULTS OF TESTING OF FY 1398 TRANSACTIONS

Analysis of annual (FY 1398) expenditure for each of the 13 projects, by type of expenditure, is shown in the table below.

**TABLE 27: ANNUAL EXPENDITURE BY PROJECT AND CATEGORY UP TO Q4 FY 1398 (AFNm)**

Name of Project	Total Expenditure	Payroll	Procurement / Non Payroll	% OF TOTAL EXPENDITURE	
				Payroll	Procurement / Non Payroll
Afghanistan Agriculture Input Project (AAIP)	468.94	92.16	376.78	19.65%	80.35%
ARAP	3,576.23	430.47	3,145.76	12.04%	87.96%
ASDP II	149.59	105.17	44.42	70.31%	29.69%
CCAP	9,976.63	1,215.10	8,761.53	12.18%	87.82%
EQRA	5,297.84	123.88	5,173.96	2.34%	97.66%
FSP	668.95	259.82	409.13	38.84%	61.16%
Higher Education Development Project (HEDP)	589.78	0.96	588.82	0.16%	99.84%
Herat Electrification Project (HEP)	555.79	42.61	513.18	7.67%	92.33%
Irrigation, Restoration and Development Project (IRDP)	1,817.45	107.61	1,709.84	5.92%	94.08%
NHLP	1,980.70	535.11	1,445.59	27.02%	72.98%
Naghlu Hydropower Rehabilitation Project (NHRP)	212.49	35.69	176.80	16.79%	83.21%
On-Farm Water Management Project (OFWMP)	632.44	194.15	438.29	30.70%	69.30%
SEHATMANDI	10,233.65	166.19	10,067.46	1.62%	98.38%

AAIP closed on 30 October 2019. The financial information presented above represents the figures reported in their Q2 IUFR. No further IUFRs were submitted by the project.

The results of our testing are shown in the table below.

TABLE 28: NON-COMPLIANCE BY TYPE AND PROJECT (AFNm)

Project	SAMPLED EXPENDITURE MONITORED	NON-COMPLIANT TRANSACTIONS	RECTIFIABLE	NON-RECTIFIABLE
	Total	Total	Document Management	Procurement and Procedural Compliance
AAIP	294.04	247.26	155.73	91.53
ARAP	1,012.19	420.21	144.68	275.53
ASDP II	115.93	12.95	1.57	11.38
CCAP	8,298.93	43.99	42.38	1.61
EQRA	5,042.77	26.51	26.48	0.03
FSP	531.87	171.00	171.00	-
HEDP	326.88	56.78	1.62	55.16
HEP	507.40	255.01	255.01	-
IRDP	951.67	532.48	58.63	473.85
NHLP	607.61	231.22	83.92	147.30
NHRP	171.76	159.03	2.87	156.16
OFWMP	281.81	162.89	65.45	97.44
SEHATMANDI	3,469.60	3,246.26	964.97	2,281.29
<b>Total</b>	<b>21,612.46</b>	<b>5,565.59</b>	<b>1,974.31</b>	<b>3,591.28</b>

The monitoring results of total expenditure for the tested transactions resulted in an overall non-compliance rate of 26 percent. We had not fully received responses from project management regarding our findings at the time of this report, so the results of non-compliant expenditure might change after adjustments, based on responses received.

We reviewed 752 distinct sub-samples across the thirteen projects, made up of 721 randomly selected sub-samples with reported expenditure of AFN 19,965m, being 55 percent of the total expenditure, and 31 targeted transactions, as presented in the table below.

TABLE 29: TRANSACTIONS SELECTED FOR REVIEW (AFNm)

PROJECT	TOTAL EXPENDITURE	RANDOM	TARGETED	TOTAL	% OF TOTAL EXPENSE
AAIP	468.94	294.04	-	294.04	63%
ARAP	3,576.23	925.78	86.41	1,012.19	28%
ASDP II	149.59	115.93	-	115.93	77%
CCAP	9,976.63	6,863.45	1,435.48	8,298.93	83%
EQRA	5,297.84	5,042.77	-	5,042.77	95%
FSP	668.95	531.87	-	531.87	80%
HEDP	589.78	326.88	-	326.88	55%
HEP	555.79	507.40	-	507.40	0%
IRDP	1,817.45	847.92	103.75	951.67	52%
NHLP	1,980.70	607.61	-	607.61	31%
NHRP	212.49	171.76	-	171.76	81%



OFWMP	632.44	260.18	21.63	281.81	45%
SEHATMANDI	10,233.65	3,469.60	-	3,469.60	34%
<b>Total</b>	<b>36,160.48</b>	<b>19,965.19</b>	<b>1,647.27</b>	<b>21,612.46</b>	<b>60%</b>

Non-compliant expenditure was determined to be AFN 5,565.59m (26 percent). Of the 721 random transactions monitored, errors were identified in 435 sampled transactions (60 percent). This is further detailed in Table 30. The 31 targeted transactions reported expenditure of AFN 1,647.27m in FY 1398, of which AFN 75.78m was determined as non-compliant expenditure (4.6 percent).

Total non-compliant transactions are classified as ‘Procurement and Procedural Compliance’ and ‘Documents Management’. Procurement non-compliance represents those transactions which have not followed the procurement procedures as per World Bank procurement guidelines, Afghan Government procurement rules and procedures, and are regarded as non-rectifiable. Non-compliance relating to document management includes transactions for which adequate supporting documentation was not available and are rectifiable upon provision of those documentation.

Non-compliance with procurement procedures may occur for several reasons:

- The procurement method did not follow the applicable law, rules and regulations;
- Call for tender and bid procedures not complied with;
- Authorized approval was not available;
- Winner announcement and acceptance of bidder not complied as per regulations;
- Inconsistencies in dates of documentation in procurement process; and
- Other non-compliance with procurement procedures.

Non-compliance with regards to document management may occur for several reasons:

- Payment documents (M16s) or procurement files not made available for verification;
- Personnel files/recruitment documents not made available for verification; and
- Other non-compliance relating to recruitment or payroll processes.

Further analysis of non-compliance is presented below:

TABLE 30: EXPENDITURE CLASSIFIED AS NON-COMPLIANT (AFNm)

NON-COMPLIANCE BY NATURE & REASON	AAIP	ARAP	ASDP II	CCAP	HEP	HEDP	IRDP	NHRP	NHLP	OFWMP	SEHATMANDI	EQRA	FSP	TOTAL	% OF TOTAL NON-COMPLIANCE
<b>A. Procurement Related / Non-Payroll</b>	<b>227.35</b>	<b>339.88</b>	<b>0.51</b>	<b>42.38</b>	<b>253.31</b>	<b>56.78</b>	<b>532.39</b>	<b>157.75</b>	<b>229.00</b>	<b>153.23</b>	<b>3,246.04</b>	<b>15.40</b>	<b>168.85</b>	<b>5,422.87</b>	<b>97.44%</b>
Non-compliance with procurement procedures	74.15	156.72	0.37	-	-	43.27	335.92	155.87	89.48	132.72	2,207.54	-	-	3,196.04	57.42%
Procurement Files/M16's (Payment Documents) not made available for review	153.20	13.18	0.14	42.38	253.31	1.61	58.53	-	82.03	20.51	964.75	14.39	24.86	1,628.89	29.27%
Authorised approval not available	-	40.36	-	-	-	-	76.03	-	57.44	-	73.75	-	143.99	391.57	7.04%
Missing supporting documents and/or signatures for receipt	-	4.16	-	-	-	-	-	1.88	0.02	-	-	1.01	-	7.07	0.13%
Other reasons	-	125.46	-	-	-	11.90	61.91	-	0.03	-	-	-	-	199.30	3.58%
<b>B. Payroll Related</b>	<b>19.91</b>	<b>80.33</b>	<b>12.44</b>	<b>1.61</b>	<b>1.70</b>	<b>-</b>	<b>0.09</b>	<b>1.28</b>	<b>2.22</b>	<b>9.66</b>	<b>0.22</b>	<b>11.11</b>	<b>2.15</b>	<b>142.72</b>	<b>2.56%</b>
Recruitment documents/Personnel files not available for review	1.43	0.14	-	1.61	-	-	-	0.96	0.92	4.11	0.22	11.11	2.15	22.65	0.41%
Payment not matching with supporting documents and norms	-	-	9.43	-	-	-	-	-	-	5.39	-	-	-	14.82	0.26%
Authorised approval not available	14.49	-	-	-	-	-	-	-	-	-	-	-	-	14.49	0.26%
M16's (Payment Documents) not made available for review	3.54	-	-	-	-	-	-	-	-	-	-	-	-	3.54	0.06%

NON-COMPLIANCE BY NATURE & REASON	AAIP	ARAP	ASDP II	CCAP	HEP	HEDP	IRDP	NHRP	NHLP	OFWMP	SEHATMANDI	EQRA	FSP	TOTAL	% OF TOTAL NON-COMPLIANCE
Acknowledgment not available for cash payment/ Bank Transfer Report not available for payment through bank account	-	-	-	-	1.70	-	-	-	-	-	-	-	-	1.70	0.03%
Other reasons	0.45	80.19	3.01	-	-	-	0.09	0.32	1.30	0.16	-	-	-	85.52	1.54%
Total Non-Compliance (A+B)	247.26	420.21	12.95	43.99	255.01	56.78	532.48	159.03	231.22	162.89	3,246.26	26.51	171.00	5,565.59	100%
Project Non-Compliance (%) as a Proportion of Total Non-Compliance	4.44%	7.55%	0.23%	0.79%	4.58%	1.02%	9.57%	2.86%	4.15%	2.93%	58.33%	0.48%	3.07%	100.00%	

## REVIEW OF STATEMENTS OF EXPENDITURE

In February 2020, the World Bank formalised the transition from the use of Interim Un-Audited Financial Reports to Statements of Expenditure (SoEs) for disbursement of funds to the Afghan Government.

In accordance with our Terms of Reference, we are required to review SoEs submitted by projects to assist the Bank in evaluating whether the amount claimed in their Withdrawal Application is in accordance with the relevant Grant/Financing Agreement. We are required to submit SoE Cover Letters to the Bank following the completion of individual reviews, outlining our findings and their impact on the amounts claimed by projects in the SoEs.

In respect of transactions recorded in FY 1399 Q11 (22 December 2019 to 19 March 2020), 24 PMUs for 19 projects were due to submit SoEs for review. We received the first SoEs in early April 2020. At the end of April 2020:

- 8 SoE Cover Letters had been issued;
- 13 SoE Cover Letters were in progress, to be reported on at the end of May 2020;
- 2 projects reported no expenditure in the period;
- 1 project was in the process of updating its SoE.

The full list can be found in the table below.

The eight projects where we had completed our reviews claimed expenditure replenishments totalling USD 1,402,123 on their SoEs. We sampled 100 percent of the expenditure and found a number of errors, misstatements and questionable transactions amounting to 80 percent (USD 1,126,643) of the SoE claim. Additionally, as part of our value offering, we reported on internal control weaknesses identified during our review.

**TABLE 31: STATUS OF SOE REVIEW AT 30 APRIL 2020**

	PROJECT ID	PROJECT NAME / PMU	STATUS
1	P131228	Da Afghanistan Breshna Sherkat Planning and Capacity Support Project (DPCSP)	SoE Cover Letters issued
2	P132742	Afghanistan Second Skills Development Project (ASDP II)	
3	P132944	Naghlu Hydropower Rehabilitation Project (NHRP)	
4	P145347	Trans-Hindukush Road Connectivity Project (THRCP)	
5	P159378	Education Quality Reform in Afghanistan (EQRA - MoE)	
6	P160606	Afghanistan Strategic Grain Reserves Project (ASGRP)	
7	P162022	Herat Electrification Project (HEP)	
8	P166127	Eshteghal Zaiee - Karmondena (Ez-Kar - Ministry of Economy (MoEc))	
9	P122235	Irrigation, Restoration and Development Project (IRDP)	Review in progress, to report by end of May 2020
10	P125597	Kabul Municipal Development Program (KMDP)	
11	P125961	Afghanistan Rural Access Project (ARAP - Ministry of Rural Rehabilitation and Development (MRRD))	

PROJECT ID	PROJECT NAME / PMU	STATUS
12	P125961	Afghanistan Rural Access Project (ARAP - Ministry of Transport)
13	P146184	Higher Education Development Project (HEDP)
14	P147147	Urban Development Support Project (UDSP)
15	P149410	Central Asia-South Asia Community Support Project (CASA CSP)
16	P159378	EQRA - MRRD
17	P159655	Fiscal Performance Improvement Support Project (FSP)
18	P160619	Cities Investment Program (CIP)
19	P164443	Women's Economic Empowerment Rural Development Programme (WEE-RDP)
20	P166127	EZ-Kar (KM)
21	P166127	EZ-Kar (Independent Directorate of Local Governance)
22	P145054	Central Asia-South Asia Electricity and Trade (CASA 1000)
23	P166127	EZ-Kar (Ministry of Foreign Affairs)
24	P128048	Afghanistan Access to Finance

No expenditure reported Q1 FY1399

Awaiting updated SoE

We completed SoE reviews and issued Cover Letters for the projects/PMUs shown in the table below.

**TABLE 32: RESULTS OF SOE REVIEWS TO 30 APRIL 2020**


	EXPENDITURE CLAIMED FOR REPLENISHMENT (USD)				RESULTS OF SoE REVIEW (USD)	
	Procurement	Payroll	Project Implementation and Management costs, excl. Payroll	Total	Sample Size	Errors, Misstatements and Questionable Transactions
HEP	508,668	107,913	-	616,581	616,581	579,250
THRCP	10,361	109,054	-	119,415	119,415	466,230
NHRP	-	98,997	-	98,997	98,997	73,955
DPCSP	-	7,207	-	7,207	7,207	7,207
ASGRP	-	44,253	-	44,253	44,253	-
EZ-Kar (MoEC)	-	85,152	-	85,152	85,152	-
EQRA (MoE)	-	295,381	-	295,381	295,381	-
ASDP II	2,014	133,123	-	135,137	135,137	-
<b>Total</b>	<b>521,043</b>	<b>881,080</b>	<b>-</b>	<b>1,402,123</b>	<b>1,402,123</b>	<b>1,126,643</b>

The projects claimed replenishments amounting to USD 1,402,123. We sampled 100 percent of the claims and identified errors, misstatements and Questionable Transactions amounting to USD 1,126,643. Our SoE Cover Letters provide further details and include reporting on internal control deficiencies as part of providing additional value for money.

## PROJECT RISKS AND EMERGING ISSUES

Apart from the ongoing risks arising from insecurity and the current impact of the coronavirus and COVID-19 infections, with the latter being addressed through a regularly updated Contingency Plan, we identified the following emerging issues:

- The quality of project management oversight of infrastructure projects and sub-projects was identified as an issue in several projects, affecting the quality of workmanship and use of materials in particular;
- Standard documentation for a number of projects and sub-projects was missing or unavailable on-site in a number of cases. This included documentation around environmental and social safeguards;
- The nature, availability, distribution and use of PPE was found to be haphazard for a number of projects and sub-projects;
- Some beneficiaries did not receive the benefits due or expected, whether in relation to inputs or cash compensation; and
- The degree of evidenced involvement of women in project and sub-project planning and implementation was highly variable between and within projects and sub-projects.
- Although the tools used in this first round of monitoring did not seek to quantify the extent to which beneficiary numbers matched project or sub-project intentions, evidence from individual site visits reports suggests that elite capture has taken place in some cases, with reduced benefits to the poorest populations in a community.



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