



Strategy Group Meeting

Monday, June 28, 2021 3:00PM - 4:30PM (GMT + 4:30)
Virtual Format

Meeting Summary

The ARTF Strategy Group (SG) held its monthly meeting in a virtual format on Monday, June 28, 2021. Representatives of 14 donor partners and the Ministry of Finance attended the meeting. World Bank (WB) Country Director Henry Kerali and [REDACTED] from the MOF, [REDACTED], co-chaired the meeting. [REDACTED] had to leave the meeting mid-way to keep another commitment.

Summary

At the beginning of the meeting, donors' representatives, who are transitioning out of Afghanistan, made their remarks. WB's leadership change, as of July 1, was also mentioned. As part of his opening remarks, [REDACTED] provided an update on the recent restructuring of the MOF. The SG then received updates from the WB Country Director on critical and time-sensitive follow up actions from the 2021 Country Portfolio Performance Review (CPPR) discussions, namely on Sehatmandi, Public-Private Partnerships and Public Investment Advisory Project (PPIAP), Early Warning, Early Finance and Early Action Project (ENETAWF), Opportunity for Mobilizing Agribusiness Investments and Development (OMAID). The SG also received standing updates on signing of Amendment to the ARTF Administration Agreement to update Standard Terms and Conditions of the ARTF Administration Agreement and ARTF cash positions. There were several formal and informal updates about the working groups, including Gender Working Group's recent discussions. Announcements about the decisions to reactivate the Peace Working Group and to launch a series of workshops to collectively finalize ARTF Results Framework in July were also made. Under AOB, there was an update from USAID on the timeline of the ongoing SIGAR's assessment of USAID/ARTF implementation of SIGAR's recommendations as part of the 2018 performance audit report.

1. Opening

- WB Country Director extended warm welcome to SG members, especially MOF [REDACTED] to his first SG meeting as the new [REDACTED] of the SG meetings going forward and thanked former [REDACTED] for his engagement with the SG over the past year.
- WB CD thanked all the donor partners for their support and guidance in developing the 2021-2024 Partnership Framework and Financing Program that was unanimously endorsed by the Steering Committee at its June 9 meeting. He congratulated the collective accomplishment and stated that the comprehensive and flexible strategy developed collectively embodies the ARTF partners' collective commitment to continue strong coordinated support to the Government of Afghanistan.

- WB CD offered sincere appreciation and bid farewell to SG members who are transitioning out of Afghanistan in the coming weeks. Tina Dooley-Jones (USAID), Olivier Bangerter (Switzerland), Henning Plate (Germany), Melle Dijk (Netherlands), and Natalija Waldhuber (EU) all appreciated the strong partnerships fostered over the past years through the ARTF and highlighted the important role the ARTF continues to play in building cohesive international voice in supporting Afghanistan's development agenda.
- ████████ made his opening remarks and expressed appreciation for both outgoing and remaining SG members and the WB leadership team. He gave an overview of the MOF restructuring efforts intended to improve the efficiency and effectiveness in the institution. The restructuring is expected to generate greater revenues while tackling corruption and strengthening the fiduciary system as well as better tracking development outcomes. Structurally, the position of the DM Finance has been removed for direct oversight from the Minister. WB CD requested MOF, and other donors concurred, to officially communicate the restructuring of the Ministry.

2. Country Portfolio Performance Review Follow Up: Critical and Urgent Actions

- **Sehatmandi.** WB reported that the Bank has been communicating, at increasing frequency over the past several months, its serious concerns about the government's delayed procurement actions to sustain the provision of core health services delivered by the project's service providers. WB VP, during his visit to Afghanistan in early June, also urged the President and the MOF Acting Minister the government's immediate actions to avoid any disruptions in delivering basic health services under Sehatmandi and COVID-19 vaccines under the Bank-supported national vaccination program. Despite repeated requests from the WB and the President's assurance for immediate actions as well as NPA's green light to extend contracts for 30 provinces, the project has not been able to extend/issue any contract as of June 28 while the current contracts expire on June 30. A couple of donors shared observations that it seems to be an avoidable issue of administrative nature, which requires stronger coordination and improved communications within the government. Aid Management Directorate (AMD) Director in response assured that necessary actions will be taken within a couple of days before the official end of the current SPs contracts.
- **Public-Private Partnerships and Public Investment Advisory Project (PPIAP).** WB reminded the SG that the project has been suspended since May 20, 2021. In order to lift the suspension, the government needs to take remedial actions to fulfill its legal obligations by August 31, 2021. In particular, the Bank requires to receive satisfactory evidence of (i) the PPP fiscal risk management functions have been returned to the MOF; and (ii) the Project Management Unit has been restored under the MOF. Unless these conditions are fulfilled fully, the project will be cancelled past August 31, 2021. The Bank requires a revised presidential decree before the August deadline .
- **ENETAWF.** While ENETAWF was approved by the WB's Board in mid-February, the legal agreement has not been signed by the government. The MOF leadership has requested to significantly reduce the scope of the project to avoid duplications of activities and fiscal risks of cash transfers. Technical teams from both sides are currently working together to agree on a revised project design in the coming days. Once agreed, the government will sign the legal agreement and the project will be restructured shortly after it becomes effective. If the project does not become effective within the current IDA-cycle, Afghanistan

will lose the IDA grants (country allocation and other resources made available).

- **Opportunity for Mobilizing Agribusiness Investments and Development (OMAID).** This is a pipeline project and the original delivery plan was for November 2021. However, when the project preparation was almost complete, MOF requested to significantly descope the project (currently discussed between \$50-75m as opposed to the original \$175m financing). Technical teams from both sides are working to redesign the project. Since the project team has already produced key Environment and Social Framework documents based on the original project design, they need to be updated and publicly disclosed before the project preparation can be advanced.
- Both ENETAWF and OMAID need to come to an agreed approach swiftly to avoid a loss of IDA-19 resources in case official commitments of the IDA resources get significantly delayed.
- Given the strategic and operational importance of these discussions, SG members requested the full engagement by a DM-level official of MOF at future SG meetings.
- **Closed or Closing projects.** WB reported that one project has been closed and four more will be closed by June 30. Modernizing Afghan State-Owned Banks Project (IDA only) was closed on May 31. Women's Economic Empowerment NPP Project Preparation Grant, Kabul Municipal Development Program, Afghanistan Second Skills Development Project (IDA only), and Access to Finance (IDA only) are preparing for closures. The Bank updated donors that the WEE-NPP project staff's salary payments have been delayed for several months despite the Bank's repeated requests to MOF for its immediate payments. MOF's AMD Director explained that the delays are caused by the fact that the government's WEE-NPP program was transferred from MOF to MOWA in January 2021, which moved the program's budget from MOF to MOWA. MOF has been working to claw back the portion of the budget to make the staff salary payments and the payments should be completed before the end of June.

2. Standing Updates

- As time was running short, WB CD offered quick reflections of the past two years leading the Bank/ARTF program and promised more details at a future SG meeting as a guest speaker, and moved to the standing updates.
- **Signing of the Amendment to the ARTF Administration Agreement.** ARTF Administrator Keiko Nagai noted that there is one donor that has not signed the amendment to update the ARTF Administration Agreement's Standard Terms and Conditions. Once the Bank collects the last signature, the updated STCs will become effective.
- **ARTF cash position status.** ARTF Administrator Keiko Nagai gave a brief summary of the ARTF's cash position status. The current unallocated balance is approximately \$147m after taking into account of the recently approved 2021 Incentive Program Development Policy Grant and the Incentivizing Reforms in Attorney General's Office project. Given that the government recently requested the ARTF to make the final tranche transfer of the remaining ARTF commitment for Sehatmandi in the amount of \$135m. Once the fulfillment of the fund transfer conditions is confirmed by the third party monitoring agent and the ARTF management committee approves the allocation of \$135m for Sehatmandi as the remaining ARTF commitment to the project, the unallocated cash balance will be reduced to \$12m. The ARTF administrator will continue to closely monitor the cash position since

the level of available funds will become exceptionally low once \$135m will be transferred from the ARTF's holding account to Sehatmandi.

- **Gender Working Group.** An update was made by the GWG donor co-chair (USAID). Donors appreciate WB gender experts' active engagement at GWG forums. There has been recent discussions on Women's Economic Empowerment Rural Development Project's proposed alternative implementation approach in challenging areas where women are harassed and threatened for their active roles in project activities. In order to continue deliver services in those areas, the project has proposed alternative approaches, one approach that has been discussed extensively at recent GWG meetings is for the project to directly engage with men to reach out to women. Donors expressed concerns with the approach as it could potentially exacerbate the gender equality and empowerment of women, which the project aims to achieve. The potential negative impact of the proposed approach could also undermine the Afghanistan Partnership Framework's gender results that all development partners are collectively supporting the government to achieve as conditions for future donor funding. Donors requested the government and the Bank's technical team to carefully consider the proposed approach's potential long-term negative impact vs. short-term project delivery gains.
- **Peace Working Group** (ARTF Administrator; Katie Blanchette). In response to donors' requests, WB and UK FCDO are working together to reactivate Peace Working Group, an informal technical working group. .PWG will convene for calibrated technical discussion starting in July and an invitation will be sent for the kick off meeting.
- **ARTF Results Framework Workshops/MEL** (ARTF Administrator; ██████████). There is a plan to hold a series of results framework workshops starting sometime in mid to late July. Once the date is confirmed, invitations will be sent to out to ARTF donors.

3. AOB

- USAID updated the status on SIGAR's assessment of how well USAID and ARTF have implemented their recommendations made in the performance audit report that was published in April 2018. The recent review was kicked off in May 2020. SIGAR's review team interviewed donors, WB, MOF and others. The assessment's Statement of Facts was shared on confidential basis and there was a exit conference among SIGAR-USAID-WB on June 24. USAID and WB will prepare joint responses to the draft SOFs in the coming days. The report will be ready in August 2021 for the final comments by USAID and World Bank.
- In closing, WB Country Director Henry Kerali and WB Operations Manager Homa Fotouhi thanked all SG members for the partnership and lasting friendship made over the past two years and congratulated all for collective major achievements – setting direction of the ARTF for the next few years through the 2021-2024 Partnership Framework and Financing Program and ARTF pledges. WB CD offered to join an SG meeting in the future to share retrospectives and lessons.