



**AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)**  
**Strategy Group Agenda**  
**Wednesday, January 22, 2020**

## **Meeting Summary**

The ARTF Strategy Group (SG) met Wednesday, January 22. Representatives of 15 donor partners,<sup>1</sup> the Ministry of Finance (MOF) and the ARTF Administrator (World Bank) attended. The Ministry of Finance was represented by the Director of the Aid Management Department. The World Bank Country Director chaired the meeting.

### **Summary**

The SG 1) agreed on steps to be taken in Q1 CY 2020 to plan the next ARTF Partnership Framework and Financing Program; 2) endorsed the direction of the Incentive Program Working Group's preparations for the 2020 Incentive Program Development Policy Grant; 3) agreed to defer the review of new ASIST proposals from its January meeting to the regular February 2020 meeting; and 4) received updates on the conclusion of the EQUIP II in-depth fiduciary review and preliminary findings of an in-depth review in the agriculture sector, as well as standing updates from the Gender Working Group and on ARTF finances. A request raised under AOB suggested that the February meeting discuss donor needs from ARTF SG documentation.

### **1. ARTF Partnership Framework and Financing Program**

#### *Country Portfolio Performance Review*

- The Administrator thanked partners for meeting World Bank South Asia Region Vice President Dr. Hartwig Schafer during his recent visit and noted that discussions had been helpful in clarifying how ARTF replenishment can proceed in the coming year. While it would be ideal for the Strategy Group to develop a new Partnership Framework and Financing Program, obtain Steering Committee endorsement of the plan by mid-year, and bring that plan to a 2020 pledging conference with firm commitments, partners acknowledged that it would be difficult to satisfy this timeline given donors' own resource planning, which for many will extend into the fourth quarter of the calendar year, and also given the expectation that the new government may require some time to articulate its new development strategy.
- Core development priorities are expected to remain consistent under a new government, and partners can take steps now that will support the planning process. The first of these, the Ministry of Finance-led Country Portfolio Performance Review, is set to begin in the next week. During the review, which is open to donor partners, MOF will meet with GoIRA and World Bank teams supporting each portfolio project to review successes, challenges, and make recommendations on adjustments (including closure) that may be needed.
- Building on lessons learned from 2019, MOF has adjusted the process in ways that are expected to improve the quality of project dialogue, including by using standardized templates, allowing adequate time for each review meeting, and aiming to group projects by sector.

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<sup>1</sup> Australia, Canada, Denmark, European Union, Finland, Germany, Italy, Japan, Republic of Korea, the Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.



- Partners thanked MOF for the process and noted that in 2019, the quality of discussion in each session had varied, with some project teams appearing to be well prepared and others appearing not to take the process seriously. An SG member observed that the meetings seemed to go best when the CPPRs engage Deputy Minister-level or Director General-level participants, and asked whether MOF is confident that projects and line ministries will take the process seriously. MOF explained that it has undertaken fairly extensive outreach at the Deputy Minister level, arranged for the Minister of Finance's office to convey an official communication, and is working to put the process on the agenda for the next Cabinet meeting, all of which is expected to ensure good attention to the process. World Bank task team leaders are also checking in with project teams in advance of each presentation to ensure project teams are prepared to discuss issues and challenges. A comment observed that the process is likely to be very helpful but encouraged SG members to remain realistic about the ability of the CPPR exercise alone to streamline the ARTF portfolio, not least because major changes would require discussion with the next government.
- The Administrator reminded donors that the CPPR process is designed to respond to government needs; as such while meetings have been scheduled in advance, some timing shifts are likely. MOF and the World Bank will endeavor to keep donors updated, but flexibility is requested. MOF has agreed to hold all meetings in a World Bank facility to enable donor participation, but donors are asked to inform security teams that parking will not be available.
- **The SG agreed to proceed with the 2020 CPPR, noting that it would both fulfill a commitment under the existing PFFP and support preparations for the post-2020 ARTF Partnership Framework and Financing Program.**

*Next steps in preparing the post-2020 Partnership Framework and Financing Program*

- The Administrator noted that in addition to supporting the CPPR, World Bank teams have also been asked to produce sectoral policy notes that outline progress and needs in each sector. The aim is for the policy notes, jointly with CPPR outcomes, to inform dialogue within government, and between government and donors. Teams are working on these notes now, and the World Bank hopes to facilitate donor dialogue around the notes over a series of meetings in February. Together, CPPR outcomes and policy notes can help to inform a preliminary outline of the next PFFP, which the World Bank hopes to have ready in time for an Afghanistan-focused event to be held on the margins of the World Bank Spring Meetings.
- Timing thereafter would be subject to political developments, but at a minimum a mid-year Steering Committee meeting would be required to update the current PFFP (and ideally discuss the next draft). In the event ministerial pledging conference is not going to be held by the end of CY 2020, an alternative will be required to ensure that the ARTF has an agreed, financed framework at least for CY 2021. In this case, donors would be asked to support a "Plan B" ARTF-only donor meeting in Fall 2020 to agree on a 1-year rollover, which would be embedded in a multi-year indicative plan.
- All programming decisions would of course be subject to the envelope of resources expected to be made available in the next PFFP period. **SG partners provided estimates of their expected timeframes for offering preliminary indications as to the level of their contributions during the next PFFP cycle.** The following table summarizes the discussion:

CURRENT ARTF DONORS' CONTRIBUTIONS BY PLEDGING CYCLE <sup>2</sup>									
#	PARTNER	TOTAL	CONTRIBUTIONS BY FINANCING CYCLE (US\$, millions)					FIRST INFO ON NEXT CYCLE EXPECTED	COMMENTS
			2002-11 <sup>3</sup>	2012-14	2015-17	Current: 2018-20			
						Pledged	Contributed to date		
	<b>TOTAL</b>	<b>12,157.2</b>	<b>5,172.4</b>	<b>2,760.8</b>	<b>2,422.5</b>	<b>2,512.1</b>	<b>1,801.5</b>		
1	USAID	<b>3,767.7</b>	1,372.0	1,033.3	722.4	900.0	640.0	End of 2020	Commitment comprises existing and projected future year funds. Future funds comprised of what the administration requests and what Congress provides. FY 2020 process now ongoing (administration request in February, funds expected in September unless there is a continuing resolution). Initial indication by spring, clarity on envelope end of CY.
2	UNITED KINGDOM	<b>2,051.6</b>	994.5	399.3	401.9	370.7	255.9	Autumn 2020	Expects four-year commitment. Emphasizing portfolio prioritization – what is performing well, what is needed, what can feasibly be implemented. Encourages SG to plan next PFFP with low case/middle case/high case assumption for contributions, assuming that current levels are the high case.
3	EUROPEAN UNION	<b>1,072.9</b>	361.8	150.5	324.8	400.0	235.8	Summer 2020	Multi-year program planning in process. More clarity on allocations expected in summer, ARTF commitments to follow.
4	GERMANY	<b>994.9</b>	382.9	208.4	243.9	184.0	159.7	Autumn 2020	Currently makes a portion of ARTF contribution contingent on government reform progress; expects to continue this arrangement.
5	CANADA	<b>854.4</b>	556.1	56.6	114.8	129.2	126.9	Autumn 2020	ARTF commitment requires Board of Treasury and Cabinet approval. Expects approvals by fall 2020.
6	NETHERLANDS	<b>582.3</b>	388.1	81.2	67.9	68.3	45.2	Spring 2020	Planning four-year commitment, anticipates some indication by spring. <b>ARTF will remain an important vehicle for aid delivery.</b>
7	NORWAY	<b>570.2</b>	289.3	145.5	73.9	73.2	61.5	Spring 2020	Initial indications expected in coming months, possibly spring. <b>ARTF will remain an important vehicle for aid delivery.</b>
8	SWEDEN	<b>500.4</b>	187.6	103.6	107.2	164.1	102.0	Spring 2020	New Afghanistan strategy requires capital review and approval.
9	JAPAN	<b>483.6</b>	25.0	318.0	136.0	4.6	4.6	TBC	
10	AUSTRALIA	<b>444.2</b>	188.9	143.3	68.1	59.5	43.9	June 2020	Normal process would provide indications by May but ongoing global reviews of aid programs globally and

<sup>2</sup> Current as of December 21, 2019, the last day of the Government of the Islamic Republic of Afghanistan's fiscal year 1398.

<sup>3</sup> Three-year financing strategies were introduced in 2012.



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			2002-11 <sup>3</sup>	2012-14	2015-17	Current: 2018-20			
						Pledged	Contributed to date		
									relationships with multilaterals, a mid-year indication more likely.
11	DENMARK	<b>244.2</b>	73.3	28.6	76.8	61.4	65.5	August 2020	Preliminary indication expected in August when next two-year strategy to be submitted for approval by capital.
12	ITALY	<b>168.3</b>	94.3	25.2	34.6	37.7	14.2	TBC	Process linked to ministerial pledging conference preparations.
13	FINLAND	<b>150.0</b>	53.5	36.7	34.3	34.8	25.4	TBC	Preparing first multi-year Afghanistan strategy. May host pledging conference; capital guidance expected January 31.
14	REPUBLIC OF SOUTH KOREA	<b>28.0</b>	6.0	10.0	0.0	12.0	12.0	Summer 2020	Internal strategy requires high-level approval for which timing is uncertain. Possible indication mid/late summer.
15	SWITZERLAND	<b>16.0</b>	0.7	0.0	9.5	9.1	5.8	Summer 2020	Anticipates 4 to 5-year commitment.
16	POLAND	<b>8.8</b>	5.3	1.8	1.4	0.5	0.3	TBC	No embassy in Afghanistan.
17	CZECH REPUBLIC	<b>5.2</b>	0.0	0.0	3.4	1.8	1.8	TBC	Confirming next cycle timings.
18	ESTONIA	<b>4.5</b>	0.3	1.9	1.3	1.3	1.0	TBC	No embassy in Afghanistan.



## 2. Incentive Program Development Policy Grant

- Within the ARTF governance structure, the Incentive Program Working Group (IPWG) has responsibility for defining the policy actions that incentivize contributions to GoIRA through the ARTF Recurrent Cost Window, 100 percent of which are incentivized. However, consistent with the process observed last year, the Administrator asked the IPWG to present its progress on planning for the 2020 program to the SG in the January meeting, given the SG's responsibility for reviewing implementation of the PFFP as a whole.
- Drafts of the 2020 Policy Action matrix were shared with the invitation. The Administrator appreciates partners' close engagement in the process to date, and hopes to finalize agreement on policy actions by the end of January, for an eventual Management Committee presentation (for use of ARTF resource; as a reminder the Incentive Program Development Policy Grant receives both IDA and ARTF contributions).
- In the second half of the year, the IPWG will consider options for the incentive framework under the post-2020 PFFP. This process will offer scope for discussion of design and innovation. Three analytical products now being prepared will help inform the discussion. The first two are compulsory evaluation products (Implementation and Completion Reports) required for the closure of the 2019 IP DPG program and for the Recurrent and Capital Costs Investment Project, the long-running project that formally closed in December 2019 and, before introduction of the IP DPG, served as the main vehicle for delivery of funds through the ARTF Recurrent Cost Window. The third is a learning review of operations and progress under the Recurrent Cost Window from inception to this point. It is worth reiterating that the IP DPG finances 40 percent of GoIRA's civilian wage bill, and as such remains a crucial instrument. In the upcoming reviews, the World Bank will endeavor to illustrate the relevance of reform actions to date, noting that because of the requirements for writing program documents of this type, it is common, though inaccurate, to perceive
- Comments thanked Canada for consolidating partner inputs on the original draft matrix. Questions followed up on specific points of discussion from the IPWG, including appropriate wording for policy actions linked to establishing legislation/regulation, gender considerations, alternative policy actions under discussion, and donor interest in ensuring that incentives are results based. The Administrator noted that the IP-DPG aims to deliver more than just "paper-based" reforms by incentivizing policy actions that are linked to specific results indicators expressed as outcomes. Past experience has demonstrated that reforms more explicitly structured as "results-oriented" can create unintended incentives, for example, as in the past when operations and maintenance expenditures were incentivized and undermined clarity in budget coding.
- Partners appreciated the open and inclusive process around the incentive program design, balanced with methodological rigor and discipline. USAID observed that in recent years several donors had redirected funding into the IP framework in recognition of the value of focusing attention around a single agreed framework that is clearly linked to the broader development and reform agenda. Given the importance of anti-corruption commitments to donors generally, and the contribution of the IP-DPG to transparency around key elements of public finances, it would be helpful for donors to have a resource that could be used to illustrate the links for Embassy and capital colleagues. While some links are described in the project appraisal documents, these are fairly dense and it would also be useful to have a more accessible product. The World Bank agreed to work on developing such a product.
- **The SG acknowledged the work completed to date on the 2020 IP DPG and endorsed the IPWG to continue working on the draft program.**



### 3. Anti-Corruption and Results Monitoring Action Program (ACReMAP)

- The Administrator provided updates on three ACReMAP initiatives. First, the World Bank Integrity Vice Presidency had updated partners in December on conclusions from their review of a matter referred following the EQUIP II in-depth fiduciary review. A written summary of that brief was provided during the meeting. Second, the EQUIP II in-depth review is being finalized. A draft report has been completed and has been sent for internal management review. The Administrator hopes to make the full report available to SG partners at the February meeting. The exercise was helpful in raising awareness and shaping the design of the current phase of basic education programming. From initially alarming numbers, the final sum determined to be ineligible was less than one percent of overall program expenditures. Conclusions improved significantly once the Ministry of Education engaged seriously with the World Bank around the initial findings, which will be an important consideration for the next phase of in-depth fiduciary reviews.
- Finally, the World Bank team presented an overview of an in-depth fiduciary review conducted in the agriculture sector, building on a brief included with the meeting invitation. Agriculture was selected for the second in-depth review using criteria similar to those used to select basic education for the first exercise, including the scale of programming and an expectation that design for the next phase of programming could begin soon. While each project is audited annually and is also subject to internal audit within the ministry, the in-depth reviews are useful because they consider a larger sample and can address issues that may be outside the scope of a formal audit. Preliminary work on the in-depth fiduciary review has been concluded, and the World Bank expects formally to communicate the preliminary findings to the government, including the Ministry of Agriculture, Irrigation and Livestock. The ministry will be given time to review its records and endeavor to address questions raised by the review. The World Bank will also ask the new third-party monitoring contractor to conduct spot checks to verify the eligibility of individuals who are reported to have received benefits under the project. Once those processes have been completed, the World Bank will determine whether the findings represent deviations that warrant remedial action, and if so what steps to take.
- A comment thanked the World Bank for the early notification and transparency in the dialogue, noting that in contexts affected by fragility, conflict and violence it could potentially be more of a concern if it appeared that no potential irregularities were being identified and discussed. A member echoed this statement, but noted that as with the EQUIP II in-depth fiduciary review, the preliminary findings raise important questions that require careful consideration and ongoing dialogue, and asked the World Bank to continue engaging partners on the subject.
- **The SG encouraged the Ministry of Agriculture, Irrigation and Livestock to engage closely with the World Bank to respond to preliminary findings and asked the World Bank to keep donor partners updated on the progress.**

### 4. Regular Updates

- In July 2018, the ARTF SG adopted guidelines for use of the ARTF ASIST window. Under the guidelines, new proposals for use of ASIST funds to deliver coordinated long-term technical assistance in strategically important sectors can be considered quarterly, in January, April, July and October each year. No new proposals have been presented since the first three, for support linked to fiscal management, to the extractives sector, and to national statistics, were approved in 2018. As of January 2020, there are two new proposals in the pipeline: one to support the ongoing energy study, on which the ARTF was briefed in November, and one to support the Ministry of Finance with a transactions advisor to help establish Afghanistan Project Development Facility (APDF) and lay the groundwork for the establishment of an Afghanistan Infrastructure and Growth Fund (AIGF), for which the project team has conducted





several consultations with technical staff from several ARTF donors. The Ministry of Finance requires some additional time to vet the proposals, and requested that the timeline be adjusted to present the next proposals in February 2020, rather than January. The SG agreed to a one-month delay in the

- In its January 2020 meeting, the ARTF Gender Working Group discussed ongoing work the World Bank is undertaking with GoIRA to address GBV, discussed questions of gender in the IPDPG, began planning its forward agenda for the next six months, and discussed USAID's decision not to assume co-chairmanship of the Gender Working Group in January, as agreed earlier in 2019, owing to staffing cuts.
- The SG received the monthly financial update.

## 5. AOB

- A comment requested the SG to consider, at its next meeting, how to ensure that issues and decisions discussed in the forum are clearly documented to ensure good use of partner time and to satisfy capital reporting requirements.