



MINUTES
ARTF Incentive Program Working Group Meeting
11 December 2019

Agenda item #1: Update on revenue and fiscal developments

- World Bank updated IPWG on overall **fiscal and revenue performance**, noting:
 - Revenues are expected to reach close to government target of Afs 200 bn, but may not reach the IMF projection of Afs 209 bn;
 - Revenues have been supported by very strong one-off revenues (mostly central bank profits, driven by depreciation), without which a substantial revenue shortfall would have been likely;
 - Even though customs revenues have been boosted by depreciation (increased import prices in Afs terms driving increased customs take), overall customs performance is falling short of targets, suggesting continued major problems with compliance;
 - Overall, revenue performance has remained relatively strong and fears of a major revenue collapse have not been realized (even taking account of reliance on one-off revenues). Government policy focus on reaching revenue targets has proven effective;
 - On the expenditure side, execution rates have fallen for the development budget partially reflecting Government efforts to maintain cash reserves in the context of uncertain revenues. Execution rates may improve through rapid execution in December, but are likely to fall short of very strong execution rates observed in 2018;
 - Government cash reserves remain comfortable. The revenue and expenditure envelopes for the 2020 budget have been revised to reflect 2019 performance and are prudent.

Agenda item #2: Update on 2019 Development Policy Grant Completion

- World Bank noted that the **verification for 2019 policy actions is now complete**, following legal review. All actions were formally completed by the specified deadline of November 15, 2019.
- World Bank and Ministry of Finance are now working together to process all further disbursements (ARTF of US\$150 million), with disbursement expected during the week of 15 December.

Agenda item #3: Evaluations of the Recurrent Cost Window and Incentive Program

- World Bank updated IPWG on planned process for **evaluations of the Recurrent Cost Window and 2018 Incentive Program DPG** (Terms of Reference attached). World Bank noted that the work will deliver three outputs:
 - A formal World Bank Implementation Completion Report on the overall Recurrent Cost Window. This meets an internal corporate requirement for ex post review of all completed operations. The ICR is written to a specific format and assesses the program against Program Development Objectives and results specified in program documents;
 - A formal World Bank Implementation Completion Report on the 2018 Incentive Program Development Policy Grant;
 - A broader 'learning review' report on the Recurrent Cost Window intended to provide lessons learned and recommendations to inform the next ARTF PFFP



and the next series of the Incentive Program. ARTF partners are a key audience for this report and we would very much like to ensure that we are responding to key questions and issues. We would welcome any comments or suggestions for the review and for the Terms of Reference.

- World Bank requested ARTF partners send any comments on formal TOR by end of next week (19 December). World Bank also noted that there will be substantial opportunity to engage with the review team and ensure key questions are addressed, including at the up-stream/inception stage.

Agenda item #4: Policy actions for the 2020 Incentive Program

- World Bank provided an overview of actions proposed for the 2020 Incentive Program.
 - World Bank noted that progress with e-filing is critical to addressing corruption and delays associated with tax clearance certificates;
 - World Bank explained that – following a period of limited engagement in the sector – the proposed point of entry for customs reform was through Human Resource Management – specifically the customs cadre regulations. This reflects that paper-based reforms are unlikely to prove effective in practice unless deeper issues of corruption and capacity can be addressed;
 - World Bank agreed to explore further options for customs reforms to be supported by the operation;
 - IPWG members reiterated the importance of the proposed action for increased customs duties on tobacco products. World Bank noted that our policy positions are aligned, but that the Incentive Program should not be used to drive reforms that government is opposed to, as such reforms would be inconsistent with principles of ownership and are likely to be reversed or incompletely implemented. World Bank agreed to work further with the Ministry of Finance to explore how this reform could be supported under the 2020 Incentive Program;
 - IPWG members noted the importance of O&M reforms and the World Bank agreed to explore further how to ensure continued inclusion of O&M actions under the operation.
- World Bank reiterated **milestones for preparation of the 2020 Development Policy Grant** (in accordance with the agreed preparation schedule available in the shared folder) with the policy matrix intended to be finalized by January 2020. The World Bank also noted that the draft policy matrix would be tabled for discussion at the next ARTF Gender Working Group meeting.
- IPWG members emphasized the need for supported reforms to **focus on implementation rather than up-stream policy reforms**. The World Bank noted institutional policy restrictions for the Development Policy Operation instrument, which stipulate that only “significant policy and institutional reforms” can be supported by a DPG (i.e. not results or outcomes). The World Bank team acknowledged the legitimacy of IPWG members’ concerns regarding this constraint in the AFG context, where implementation constraints are often key and there can be wide gaps between formal policy and practice. World Bank noted:
 - We are trying to practically address this limitation through the embedded programmatic approach of supporting policy reforms and then concrete implementation steps in subsequent years of the Incentive Program (examples include land reform, VAT implementation, e-money reforms).
 - The Incentive Program is intended to support broader ARTF project engagements to address policy constraints in areas where the ARTF is focusing through investment projects. The Incentive Program is therefore not intended simply to incentivize results (and leave responsibility for achievement to GoIRA),



but rather help address policy and institutional constraints to broader progress in areas where we are providing project and technical assistance support under the ARTF portfolio;

- The upcoming review of the Recurrent Cost Window will provide an opportunity to explore this issue further, and the World Bank is open to further discussions as to how the 2021-2024 program could be designed to more-directly incentivize results. This conversation could take place in the context of broader discussions around mobilizing the incentive power of aid support, including the overall GMAF framework and government anti-corruption agenda.
- IPWG reconfirmed that anti-corruption elements should be mainstreamed through the 2020 Incentive Program, with the Program Document clearly presenting an anti-corruption narrative.

Attachments:

- Draft 2020 policy matrix
- Terms of Reference for Recurrent Cost Window and 2018 Incentive Program Development Policy Grant reviews.

All attachments are available in the shared folder.