



**MINUTES**  
**ARTF Incentive Program Working Group Meeting**  
**25<sup>th</sup> March 2020**

**Agenda item #1: Proposed expedited approval and frontloading of the 2020 Incentive Program Operation**

- **World Bank** updated the IPWG on the seriousness of the current economic and revenue situation. As a result of the COVID-19 crisis, economic growth is expected to turn sharply negative in 2020, with revenues falling below 2019 levels by up to US\$900 million.
- Key economic and fiscal indicators under COVID baseline and downside scenarios are presented below:

**Figure 1: Fiscal and Economic Indicators under COVID-19 Scenarios**

	Government Baseline	WB ADU Baseline	WB - Baseline COVID19	WB - Downside COVID19
<b>Real Economy</b>				
Real GDP Growth (%)	3.4	3.3	-3.8	-5.9
<i>Agriculture</i>		5.0	5.0	5.0
<i>Industry</i>		2.0	-3.0	-5.0
<i>Services</i>		3.0	-8.0	-11.0
Nominal GDP (Afs Billion)	1616.3	1583.0	1477.9	1447.1
<b>Prices</b>				
Consumer Price Inflation (%)	5.1	3.5	4.5	5.5
<b>Fiscal</b>				
	<i>Afs Billion</i>			
Revenue	415.9	416.1	350.0	341.0
Domestic Revenue	208.9	209.0	147.0	140.0
<i>Tax Revenues</i>		91.0	65.0	60.0
<i>Customs</i>		40.0	20.0	20.0
<i>Non Tax Revenues</i>		78.0	62.0	60.0
Grants	207.0	207.1	203.0	201.0
Expenditures	428.4	440.0	393.0	384.0
<i>Operating</i>	289.1	300.8	305.3	307.9
<i>Development</i>	139.3	139.2	87.7	76.1
Overall Balance	-12.5	-23.9	-43.0	-43.0
Financing	10.0	24.3	43.0	43.0
<i>Cash reserves</i>	10.0	10.0	20.0	20.0
<i>Concessional borrowing</i>		14.3	23.0	23.0
<b>Balance (% of GDP)</b>	<b>-0.8</b>	<b>-1.5</b>	<b>-2.9</b>	<b>-3.0</b>

**Agenda item #2: Proposed expedited approval and frontloading of the 2020 Incentive Program Operation**

- **World Bank** provided a brief overview of the proposal to help government manage the short-term impacts of the COVID-19 crisis through the Incentive Program DPG (attached).
- **World Bank** noted that the Incentive Program cannot provide a solution to the fiscal pressures facing Government. However, the proposal to frontload and expedite the disbursements from the Incentive Program DPG would:
  1. Provide time for government to adjust plans and budgets to minimize disruption and ensure effective prioritization of available resources;



2. Avert the possibility of a short-term cash shortages driving non-payment against essential items such as salaries.

- **IPWG agreed that:**

1. There is a strong case to utilize available flexibilities to expenditure and frontload payments under the Incentive Program along the lines proposed by the World Bank;
2. Measures would need to be in place to mitigate risks, including:
  - Assurance that Third-Party Monitoring arrangements will remain in place and there will be no reduction in the control or oversight (even if adjustments in operating procedures are required in the context of the COVID-19 outbreak);
  - Continued government production and publication of revenue and cash management reports;
  - No reduction in the overall ambition of the policy reform program and supported policy actions.

**Actions:**

- World Bank to update the proposal document to include specific mention of risk-mitigation measures (see attached);
- IPWG members to provide confirmation of support to the proposal or raise any substantial concerns by email within the next 24 hours.

**Agenda item #3: Proposed criteria for post-approval modification of Tranche Release Conditions.**

- **World Bank** summarized proposed criteria for post-approval modification of Tranche Release Conditions (attached);
- **IPWG** discussed whether proposed criteria were too broad to be usefully applied. IPWG agreed that a process-based approach would likely be appropriate, where relatively broad criteria are specified in writing and the suitability of applying those criteria is subject to discussion within the IPWG and other ARTF governance bodies.

**Actions:**

Within one week, IPWG members will:

- Confirm their support to proposed criteria; or
- Share any specific suggestions or recommendations for improving the criteria.

**Attachments:**

- Current policy matrix
- Proposal note for the Incentive Program Working Group

*All attachments are available in the shared folder.*