



MINUTES
ARTF Incentive Program Working Group Meeting
1st December 2020

Agenda item #1: Update on Policy Actions

- The **World Bank** informed IPWG members that evidence had been received from government showing completion of all policy actions by the 15 November deadline. The **World Bank** noted that this was a major achievement and reflected major efforts by the Ministry of Finance team and intensive dialogue between the World Bank and Ministry of Finance at all levels.
- The **World Bank** noted that technical and legal verification had been completed of all policy actions by World Bank teams, as per the attached verification tracking sheet.
- The **World Bank** noted that critical issues remain to be addressed:
 - Under World Bank policy, the World Bank Country Economist is required to affirm the adequacy of the macroeconomic framework before any budget support disbursements can be authorized. This measure is intended to prevent a situation in which resources are wasted through disbursement into an excessively risky or unstable macroeconomic situation. Undertaking such an assessment requires access to critical data, including on the financial sector. Unfortunately, the World Bank has been unable to access required financial sector data from the Da Afghanistan Bank. We are currently working with the Governor of Da Afghanistan Bank to access required data and allow the assessment to be completed, and disbursement authorized.
 - Several amendments to the PPP law have recently been passed by Presidential Decree. These amendments move responsibility for management of PPPs from the Ministry of Finance to the Administrative Office of the President. This has occurred against World Bank and IMF advice. This shift directly contradicts the policy intent of the Public Investment Management regulations policy action, which was intended to unify PPP and Public Investment Management processes, and ensure adequate oversight of associated fiscal risks. We therefore do not consider this action complete, even though the regulations have been approved. The World Bank is meeting with the Ministry of Finance and Administrative Office of the President next week to discuss this issue and seek resolution.
- Overall, the World Bank will be able to disburse US\$180 million on the provision of required financial sector data by DAB and completion of the required macroeconomic assessment. The final US\$20 million will be disbursed once issues around the PPP law amendments are resolved and following further discussion with ARTF partners.

Agenda item #2: Preparation of 2021 Incentive Program DPG

- **World Bank** proposed a structure for the 2021-2024 Incentive Program policy matrix. The proposed structure would be aligned with the ANPDF II, including two pillars of Market Building and State Building.
- **World Bank** proposed inclusion of 2021 Afghanistan Partnership Framework indicators in areas where the Bank has an existing engagement and sufficient technical capacity. This



would include indicators related to: i) civil service reform; ii) revenue reform; iii) land reform; iv) financial sector; and v) extractives.

- **IPWG members** suggested potential additional areas for inclusion, including:
 - Business reforms, including regulatory reforms to ease business closure (see business process mapping undertaken by the World Bank attached);
 - Trade reforms, including WTO and SPS measures, reform to customs valuation practices, and ATR implementation;
 - Introduction of a tobacco tax;
 - Continued focus on revenue and expenditure measures;
 - Areas critical to economic growth, including agricultural and extractive reforms;
 - Reforms that would have direct impacts on improved gender outcomes, including measures that could support improved social service quality and coverage.
- **IPWG members** emphasized the importance of maintaining a balance between upstream policy reforms and downstream implementation measures.
- **IPWG members** requested that the World Bank prepare an initial draft policy matrix that could serve as the basis for further discussion at the next IPWG meeting.

Agenda item #3: Update on Evaluation of the Recurrent Cost Window

- **World Bank** noted that a draft Evaluation Report for the Recurrent Cost Window has now been completed. The evaluation is being shared with these minutes in zero draft format for early comment.

Attachments:

- Status of evidence summary
- Zero draft of Evaluation Report for Recurrent Cost Window
- Business process mapping for business closures.

All attachments are available in the shared folder.