



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

## Special Strategy Group Meeting Summary Wednesday, May 13, 2020

### Meeting Summary

The ARTF Strategy Group (SG) held a special meeting on Wednesday, May 13. Representatives of 16 donor partners,<sup>1</sup> the Ministry of Finance (MOF) and the ARTF Administrator (World Bank) attended. The World Bank Country Director chaired the meeting.

#### Summary

The SG 1) offered appreciation for outgoing Deputy Minister of Finance for Policy [REDACTED] work and leadership; 2) reviewed WB and MOF updates on the process of adjusting the ARTF-financed portfolio to support the COVID response and identified pending issues to be clarified; and 3) discussed donor feedback and questions on the evolving design of the REACH project planned to support the Government's COVID 19 response.

#### 1) Appreciation for MOF team's engagement with ARTF

- DM [REDACTED] informed the SG of her departure from MOF, thanking the SG members for their support and expressing confidence that the Policy and Aid Management teams and her successor once named will carry on the work effectively.
- On behalf of the WB and the ARTF partnership, the chair thanked DM [REDACTED] for her expertise, her effective service, her diplomatic approach, vision, and friendship, as well as her support to the WB and ARTF partners. He expressed hope and confidence in working together in a new capacity, wishing her well in the meantime. The EU, Germany, UK, Canada, Australia, Italy, and US echoed these remarks, expressing sorrow at DM [REDACTED] departure, but thanking her for excellent collaboration, cooperation and engagement, for her commitment to transparency, and for her dedication to improving the lives of fellow Afghans. The SG wished DM [REDACTED] well and expressed the hope to work with her again soon in her next capacity.
- DM [REDACTED] thanked partners for the support and well-wishes, and asked AMD Director [REDACTED] to represent MOF for the remainder of the meeting.

#### 2) Update and advice on portfolio adjustments

- With the meeting agenda, the WB disseminated an update on suggested portfolio adjustments discussed at the March-April SG meeting. The update reflects current joint WB and MOF recommendations. MOF expects shortly to convene a discussion to gather line ministries' observations on the proposal; they plan to submit the recommendations and observations to HE President [REDACTED] for his final recommendation.
- The recommendations identify 14 projects from which funds could be released through early closure or partial cancellation. Funds could be re-programmed to support the

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<sup>1</sup> Australia, Canada, Czech Republic, Denmark, EU-EC, Finland, Germany, Italy, Japan, Korea, Netherland, Norway, Sweden, Switzerland, UK, and USAID.

COVID-19 response. Recommendations disseminated with the invitation indicate that US\$ 337 million could be released for this purpose, primarily from IDA. While the proposal envisions some cancellation of ARTF financing, the bulk of the adjustments to ARTF financing would involve restructurings, rather than cancellations, of current projects.

- There has been one adjustment. The recommendations indicate that US\$150 million in undisbursed funds could be cancelled from the (IDA-only, no ARTF financing) Trans-Hindu Kush Road Connectivity Project (THRCP). Subsequent discussions with WB Procurement and Legal teams have concluded that the maximum sum that can be cancelled from the project at this time without exposing GoIRA to liability would be US\$100 million. Reflecting the THRCP adjustment, the proposals collectively would identify US\$ 287 million, of which US\$ 268 million would be made available from IDA resources and an additional US\$ 69 million would be released from ARTF resources. The current aim is to release US\$ 320 million from the portfolio as a whole, and so some additional adjustments are being considered to fill the US\$ 33 million gap between the target and the funds identified to date.
- In response to questions, the WB confirmed that once the Presidential Palace provides feedback on the adjustments, the materials will be updated to reflect the impact of cuts on programming and development targets. Partners concurred, stressing the importance of understanding the impact of policy adjustments. Ensuring a balance between responding to the current needs and preserving the platforms/ability to continue progress towards longer-term development goals will be a priority. A comment suggested that it would be valuable to summarize the number of jobs affected by project closures, as well.
- SG members said it would be helpful to better understand the timeline for cancellations; in particular whether/how these would feed into the expedited timeline for the REACH proposal now under development. A related question noted that it be valuable to understand where the WB and MOF would anticipate “refunding” partial cancellations from future resources (either IDA or ARTF where applicable), and when. The WB noted that not all projects would be expected to receive a future “refund”, particularly where sums to be cancelled are relatively small. Some of the projects for which larger cuts are anticipated (e.g., the IDA-only THRCP project) could potentially see additional financings in 12-18 months, subject to resource availability and related considerations.
- Partners supported the direction of the adjustments and appreciated the pace of the complex work. Noting a readiness to support the changes, partners flagged that cuts to specific preferred programs have the potential to affect their own internal documentation requirements; additional details may be needed to advance that process. The WB assured partners of its readiness to support this work.
- Specific questions on two IDA-only financed projects were raised. Italy noted its engagement in the transport sector and ongoing coordination with ADB, and requested an opportunity to meet with sector colleagues, including THRCP team members, to coordinate technical discussions on impacts of cuts on the sector as a whole. Canada noted that given collective work on food security, it would welcome further discussion of the impacts of closing the IDA-only Strategic Grain Reserve project.

**The SG requested an updated set of portfolio recommendations reflecting programmatic impacts of proposed shifts once the joint WB-MOF recommendations were endorsed by the Presidential Palace.**

### 3) Update and advice on planning for COVID Relief Effort for Afghan Communities and Households (REACH)

- The WB explained that portfolio adjustment exercise aims to identify financing to support the socio-economic response to the COVID crisis. Following earlier briefs offered to ARTF donors collectively (date) and bilaterally, the WB updated on the current preparations for the Relief Effort for Afghan Communities and Households (REACH) project, in line with updated presentation materials disseminated ahead of the meeting.
- Broad parameters of the planning remain the same. The aim would be to mobilize US\$ 300 million to reach vulnerable households with support for basic needs during the relief phase of COVID-19. Of this sum, US\$100 million would be mobilized from existing CCAP funds, using the current grain bank and social inclusion grant modality in CCAP-covered rural areas. The remaining US\$200 million would be provided through the newly proposed “REACH” project to cover urban and non CCAP areas. As noted, financing for this initiative would be financed through consolidation of existing WB/ARTF portfolio.
- The project team updated SG members on how the project design has evolved since the last brief. Current projections suggest the combined CCAP/REACH programming cover 4.3 million households, an estimated 32 million beneficiaries. Identifying household/beneficiary numbers is a fairly complex process involving extrapolation from Afghanistan Living Conditions Survey and UNFPA/Flowminder data sets. Lessons from CCAP household counts during community profile exercises suggest that actual beneficiary population numbers can original projections.
- The targeting approach is largely universal, with at most exclusion profile (e.g., excluding rural Maliks/landowners and in cities obviously well to do areas), which would draw on lessons from the current bread distribution program to avoid some of the complaints that effort is generating. The approach enlarges the program, but consultations with humanitarian agencies suggest the costs of undertaking a targeting/mobilization process would be highly likely to offset any savings from a more targeted program.
- GoIRA has indicate a clear preference for in-kind assistance (primarily food, locally procured) over cash in the first tranche, since an entirely cash-based approach would raise complex fiduciary and security concerns that would be difficult to resolve. But there IS an intent to attempt cash transfer for the second tranche in select areas.
- The design of project components is based on geography.
  - i) Implementation in rural and peri-urban areas would be led by the Ministry of Rural Rehabilitation and Development, with Facilitating Partner (FP) support. Approaches would vary slightly in areas between areas where a Community Development Council (CDC) established under the now-closed National Solidarity Program remain active vice areas without a current CDC. In a subset of rural areas that are highly food insecure, the distribution of relief would subsequently segue into CDC mobilization for the proposed pipeline Enabling Nutrition through Early Targeting, Warning and Action for Food (ENETWAF, or “resilience” in Dari) initiative. GoIRA is rightly concerned about cost. While direct GoIRA implementation may be cheaper, FPs are able to deliver more quickly and with quality. With a targeted 9 percent cap on FP overhead costs, the WB is hopeful GoIRA will agree to use of FPs. The WB noted that ARTF advocacy to encourage the use of FPs may be beneficial.
  - ii) IDLG would lead implementation in 14 urban provincial capitals, relying on the trader

modality. Kabul Municipality would lead implementation in the capital.

- The team thanked donor partners for helpful feedback and questions raised in writing thus far. The highly compressed preparation timeline has prevented the team from disseminating a Project Appraisal Document (PAD) at this point as would normally be done under the ARTF protocols; the detailed slide decks and donor briefings have aimed to provide an alternative source of timely information. Once finalized for distribution, the PAD will be a good source of additional detail on the team's approach to addressing some of the specific questions, in particular the range of good questions raised regarding financial management considerations, contract structuring, and the like. As comments have observed, the process is expected to be somewhat simpler on the rural side; engagement with private sector in urban areas raises added hurdles.
- Comments commended the team for the creative, fast work under challenging circumstances and for informing donors as work progressed, as well as the adoption of limited targeting/ exclusion approach. There is tension between the need to act quickly and the need to institutionalize a development approach desired by GoIRA. In light of the portfolio adjustments required to finance the new program, the impact on overall development objectives should be considered, as discussed earlier in the meeting. A related point noted that there continues to be a gap in the development community's understanding of the scale of the health and economic impacts. SG members suggested that the team consider deepening the discussion of policy links, in particular the question of whether/how the program could link to/support existing development priorities covered by the current portfolio, which would be shifted to support the new program.
- Ongoing concerns about absorptive/coordination capacity, the adequacy and clarity of fiduciary arrangements, including with respect to facilitating partner contracting and private sector engagements in urban areas, and the risk of violating do no harm principles would require resolution before the project could be considered ready.
- Partners asked about the feasibility of procuring a large volume of food on the local market in a compressed period and asked about the status of coordination with UN agencies; would the humanitarian agencies be able to provide coverage in hard to reach areas that would not be covered either by the Citizens' Charter or REACH initiatives? Partners also flagged their intent to share additional comments in writing, including on gender considerations and specific aspects of implementation arrangements.
- The WB team agreed that details of logistics, feasibility, and fiduciary considerations require refinement. The proposed design is challenging, and there are clear risks. One source of confidence is that in key areas the design builds on existing implementation machinery that has delivered in five-seven past emergencies and allows for some local-level flexibility. Given the urgency required the aim is to simplify as much as possible but risks remain high, and ARTF partner advocacy would be valuable to facilitate the engagement of UN partners in hard to reach areas that might otherwise go uncovered.

**The SG agreed to share outstanding comments on the REACH design as it currently stands and to continue discussing the design process and associated portfolio adjustments with the WB and MOF teams as work advances.**

#### 4) AOB

- The UK expressed interest in hearing from project teams on the impact of COVID on operations and on third-party monitoring once the portfolio dialogue has concluded.