



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Strategy Group Meeting August Meeting

Thursday August 20, 2020
2:00-4:00 PM Kabul Time
Virtual Format

MEETING SUMMARY

The ARTF Strategy Group (SG) met Thursday, August 20, 2020.¹ Representatives of 13 donor partners,² the Ministry of Finance (MoF) (Deputy Minister of Finance [REDACTED]), and the ARTF Administrator (World Bank) attended. The World Bank and Ministry of Finance co-chaired the meeting.

Summary

The ARTF Strategy Group reviewed the outcomes of the in-depth fiduciary review of the National Horticulture and Livestock Productivity Project (NHLP) and discussed next steps for implementing lessons of the review and resolving ineligible expenditures identified during the course of the study. The ARTF Administrator also updated donors on preparations for the annual ARTF Steering Committee meeting and the timeline for developing the next Partnership Framework and Financing Program. The Strategy Group provided feedback on the Administrator's presentation of an initial indicative costing methodology for the next PFFP.

1. In-Depth Fiduciary Review of National Horticulture and Livestock Program³

- The ARTF Administrator presented findings of the second in-depth fiduciary review, which covered the NHLP project implemented by the Ministry of Agriculture, Irrigation and Livestock (MAIL). The review, which covered a period of 6 +years, assessed a large sample of project documents totaling USD 59.3 million in expenditures of which USD 25.4 million was procurement related. The review identified major issues in procurement, contract management, human resources and payroll, the use of operational advances and cash payments. MAIL was provided an opportunity to review and respond to initial findings. The WB has reviewed MAIL's responses and has assessed final lessons and assessed ineligibilities based on the review. A total of USD 1.17 million has been declared as ineligible expenditure; an additional declaration of USD 0.79 million is expected in the coming days. The findings have been shared with the government and the process to request a refund of the ineligible expenditures has been initiated. The review generated lessons that shaped the design of the recently approved Emergency Agriculture and Food Supply (EATS) project and is shaping portfolio-wide fiduciary controls.

¹ The ARTF Strategy Group typically meets on the third Wednesday of the month. The Strategy Group this time met on Thursday as Wednesday August 19 coincided with the 101st anniversary of Afghanistan's independence, a national holiday.

² United Kingdom, United States, Australia, Canada, Denmark, Germany, EU, Japan, Korea, Netherlands, Norway, Switzerland, and the Ministry of Finance.

³ The agenda originally placed the in-depth fiduciary review as the second topic for discussion, but partners agreed to reverse the order of discussion to enable the fiduciary review to complete their presentation and disconnect from the virtual meeting.



- ARTF partners appreciated WB's efforts in tightening control mechanisms and stressed on the importance of fiduciary controls to capitals, in particular at a time when partners are considering the next phase of their Afghanistan assistance. A suggestion proposed that the Bank prepare a succinct document summarizing key lessons-learned from the in-depth fiduciary reviews and how these lessons are being applied, and a similar document summarizing the enhanced fiduciary control framework.
- A comment observed that it is reassuring to see the enhanced fiduciary control framework in place and working. There are technical approaches that can help to address patterns of deficiency in government-implemented programs. But having invested substantially in control processes, donors are interested to see GoIRA demonstrate leadership in the response and take ownership of the challenges, particularly if the Government continues to call for aid to be delivered on-budget. Accountable funds management is needed to restore/maintain confidence to donors and their taxpayers. MOF's input is important, but it is also necessary to look at the broader institutional response/ownership and consider questions including, but not limited to, why Supreme Audit Office audits did not pick up on some of these issues earlier.
- The WB informed SG members that additional measures have already been applied to the newly approved REACH and EATS projects to increase assurance. The Bank has also taken measures to improve quality of the annual external audits that the Supreme Audit Office (SAO) of the government of Afghanistan conducts. Agreement with SAO has been reached to conduct quality assurance of the audit process and track implementation of its recommendations especially regarding areas that face high-risk of misuse of resources. Besides that, the Bank helped SAO in its legal framework through the IP DPG program.
- The procurement team has also been working with the National Procurement Authority (NPA) in professionalization of procurement cadre. Until these cadres are ready and on board, measures will be taken such as limiting procurement authority of some line ministries to certain thresholds and involving NPA in most procurement and recruitment processes.
- Deputy Minister of Finance, Mr. [REDACTED] added that the MoF has received the letter seeking refund of ineligible expenditures. MoF is taking the issue seriously and will be reporting the findings in a cabinet meeting, as well as taking follow up measures. The Government may wish to complete internal processes before processing the refund, the first of which has a deadline of August 31.

The SG welcomed the conclusion of work on the second in-depth fiduciary review and stressed the importance of follow-up on both the ineligible expenditures identified and the in the application of lessons learned from the reviews. The SG looked forward to receiving a final report of the review.

2. Planning the next ARTF Partnership Framework and Financing Program (PFFP)

- The WB updated SG members on preparations for the next ARTF PFFP and issues requiring discussion in the months ahead. The co-chairs began the discussion by informing SG members that MOF had confirmed a date for the next annual ARTF Steering Committee meeting, to be held virtually on September 2, 2020. The ARTF team is working to prepare an update to the current PFFP reflecting developments over the last year (including portfolio



adjustments to support the COVID-19 response). As with past SC meetings, the agenda will focus on a review of the past year and adjustments to the current financing program but will also include a prospective discussion on expectations for the next year; as such it will touch on the progress of planning ARTF replenishment to date and the next steps in the process.

- Donors received a brief in advance of the meeting reviewing progress on replenishment planning over the last months and the steps expected over the next months to advance PFFP preparations. The SC will be the first of three interim meetings, and will include, at donors' request, an overview of indicative costings for the next PFFP cycle. Outcomes of the mid-September capitals-level meeting, at which a decision is expected on whether to proceed with a November pledging conference or adjust plans, will determine the next steps. If a decision is taken to defer the conference, the ARTF process will shift in the short term to soliciting donors' commitments for FY1400/CY 2021, with the aim of ensuring resource clarity over the next year. If conference planning proceeds the PFFP preparation will continue to focus on developing a four-year planning document.
- The PFFP includes three core elements 1) a description of what the ARTF has – the resource envelope determined by donors' commitments; 2) a description of what the ARTF will do – an outline of the programming that the fund is expected to finance during the financing period; and 3) commitments regarding how the ARTF will work, expressed as thematic operating priorities. The preparation process will work to develop the second and third of these elements as thoroughly as possible; finalization and final decisions will be contingent on confirmation of donor commitments to the next financing cycle.
- Ahead of the meeting, donors had also received background on the six current thematic operating priorities, which also form the basis of a commitment in the Geneva Mutual Accountability Framework. The WB observed that six commitments seems to be a reasonable and manageable amount, though there is no firm guideline on the number to be included. Discussions in September will solicit inputs on thematic priorities for the PFFP, as a starting point donors are invited to reflect on which of the current commitments should be retained in the next PFFP, which might be integrated into the planning but need not be highlighted as a separate commitment, and which might be dropped. This exercise could help set general parameters for the number of new commitments to be considered or added.
- The WB then presented its proposed methodology for developing an initial indicative costing of the next PFFP. ANPDF2 has not been finalized, and in many sectors, there are not yet specific plans for future programs. In the absence of these details, the approach develops anticipated costing based on allocations and financing in the current portfolio and consider when financing for new programming would be required (if sectoral programming continues) as current and fully financed expire. The approach then considers a range of security and financing scenarios, and outlines what could be financed in each scenario, and what the projected cost of programming under that scenario might be. Initial indicative costing under this approach ranges from USD 600 to 800 million annually for the four-year cycle, not counting for the costs of supplemental programming that could be required to support a potential political settlement.
- Comments observed that the PFFP outline had advanced substantially since the last presentation in May and raised questions about the inclusion of programming outside the core



sectors highlighted at that time, such as health, agriculture, education and community development, querying whether the approach would undermine the shared objective of a prioritized and consolidated portfolio.

- Some comments observed that rollover could be beneficial in some circumstances. In particular, a one-year rollover of the portfolio could be helpful if donors' own programming and financing cycles are delayed. It would be beneficial to consider how reallocation of programming resources in that circumstance could support streamlining. Reallocation worked fairly well in the COVID-19 response, although there are still some questions to be addressed – in particular donors remain interested to ensure that REACH will cover hard-to-reach areas, and the European Union remains interested in an expedited finalization of the planned agribusiness program; necessary to minimize the risk that funds the European Union has allocated for this process will be lost.
- A comment observed that costing should ensure that, where financing scenarios anticipate reduced resources, reduced funding affects the Recurrent Cost and Investment Windows proportionally; investment projects should not be required to absorb the effects of all donor reductions. The PFFP outline might also consider further attention to articulating elements of a results framework.
- On thematic priorities, comments from several partners observed that the first, fifth and sixth priorities in the current PFFP could be combined in a future document, leaving room for discussion of other new priorities. As co-chair of the Gender Working Group, Australia observed that gender mainstreaming remains a priority and there are important entry points for that discussion in thematic priorities three and five. A strong theory of change and results framework would be useful in ensuring that gender mainstreaming goes beyond tracking outputs. Several partners expressed their interest to submit further comments on the thematic priorities in writing.

The SG elected to schedule a second discussion of the indicative costing approach, to be combined with the customary special SG meeting to organize/prepare for the Steering Committee meeting.

3. Updates

- The co-chair of the meeting informed the SG that the WB Board of Directors approved REACH and EATS emergency programs on August 4, 2020 to help Afghan communities and government mitigate the impacts of Covid-19. DM [REDACTED] informed that the signing ceremony for the launch of the REACH program will be held soon in the presidential palace and MoF is coordinating with the palace regarding Hard to Reach (HTR) areas to see when those area can be covered by REACH program. He also stressed on the need for continued donor support especially to the Incentive Program and infrastructure sector to not only maintain the progress but to further progress.
- Ahead of the monthly meeting donors received the standing monthly financial update, as well as quarterly ACRMAP and semi-annual ASIST updates that had been deferred from July. As agreed in advance, the updates were not reviewed in detail during the meeting, but the WB reiterated the ARTF team's willingness to respond to follow-up queries as needed.