



## AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

### Strategy Group

Thursday, November 21, 2019

## Meeting Summary

The ARTF Strategy Group (SG) met on Thursday, November 21<sup>st</sup>, 2019. Representatives of 14 donor partners,<sup>1</sup> the Ministry of Finance (MOF) and the ARTF Administrator (the World Bank) attended. The World Bank Country Director and the Ministry of Finance DM Finance co-chaired the meeting.

### Summary

The SG was updated on: i) the process and indicative timeline for the upcoming Partnership Framework and Financing Program; ii) the status of the preparation of the 2020 Incentive Program – Development Policy Grant; iii) progresses made under each component of the Anti-Corruption and Results Monitoring Action Plan (ACReMAP); iv) Citizens' Charter Afghanistan Project (CCAP) fiduciary arrangements; v) the Afghanistan Energy Study; vi) key findings of the Portfolio Operational Status Review (POSR); and vii) GBV cases in Logar Province as AOB.

### 1: Partnership Framework and Financing Program (PFFP).

Structured consultations are planned between January and March 2020 with a primary objective to have a broad consensus on future financing priorities supported by the ARTF. The consultations will be focused on the sectorial priorities, humanitarian-development coordination, financing scenarios and lessons drawn from the Country Portfolio Performance Review 2020. In June-July 2020, the Steering Committee's endorsement will be sought on the strategic priorities and financing scenarios of the next PFFP. The GoIRA's fiscal strategy paper and the budget for FY 1400 (2021) will be taken into consideration during PFFP preparation.

The indicative timeline includes the ARTF focused meetings with the donors' Capitals. For the proposed meetings at various levels, DfID requested for clear objectives and decisions required for each meeting. The USAID representative also proposed to review the governance structure of the ARTF as part of the partnership framework discussion.

The World Bank chair suggested that the WB Spring Meetings could provide an opportunity to engage the regional partners that are not currently involved in the ARTF. The World Bank team reiterated that the timeline and approach on the new PFFP is indicative and can be adjusted based on the feedback from the SG and their capitals.

### 2: Incentive Program – Development Policy Grant.

The World Bank, the task team of the Incentives Program Development Policy Grant, reported that the IP Working Group had received a detailed update supported by required documents to

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<sup>1</sup> Australia, Canada, European Union, Finland, Germany/BMZ, Germany/KFW, Italy, Japan, the Netherlands, Sweden, Switzerland, United Kingdom, United States.

authorizes the current tranche releases. The IP DPG 2020 is under preparation. The plan is to finalize its matrix by January 2020. The team requested development partners' feedback and also offered bilateral consultations/meetings.

USAID confirmed that, based on the findings and the review of documents, it will release the last tranche of US\$60 million in support of the on-going IP-DPG. Also, in setting 2020 IP-DPG indicators, the USAID is keenly interested to fill in the blank space for customs. Given the reducing donor funding trend, it is important for the government to be able to increase own revenues. The revenue generation should reduce the government's O&M expenses currently heavily relying on donors' support. The IP-DPG task team agreed with the proposal and to carry out further analysis. Currently, the World Bank, through US\$1 million grant from a global trust fund, provides a technical assistance to the customs sector.

### 3: ACRemap Update

#### 1.1. In-depth Fiduciary Reviews

Validation process of a project's in-depth review: Currently, an in-depth fiduciary review on a project is in progress. Documentation has been requested to the government to verify eligibility of expenditures. Status of the documentation submission has been shared with the donors.

#### 1.2. Risk-based Smart Implementation Support

Hands-on Expanded Implementation Support (HEIS) has been approved for the Women's Economic Empowerment-Rural Development Project and Digital CASA project. Another request by Afghanistan Gas Project is under review and will be finalized soon. Six projects will be receiving HEIS in total. The Systemic Tracking of Exchanges in Procurement (STEP) training has been rolled out for all World Bank and ARTF financed projects. Data will be updated for all the projects in STEP by December 10, 2019. Additionally, as agreed in the last meeting, 9 contracts (1 for Sehatmandi reviewed; 5 in NHLP are selected; and 3 in FSP reviewed) have had the Additional risk-based post reviews.

#### 1.3. Third Party Monitoring (Contracts and Innovations)

The TPM has been requested to review the internal controls of 7 projects to identify weaknesses. Draft reports have been shared with the projects for their response. The projects with compliance issues will be receiving recommendations and being followed up. The remaining reports will be shared with the ARTF donor partners. The new TPM contract is under review by the World Bank's central procurement unit in DC. Once the approval is received, the contract will be finalized.

#### 1.4. Transparency and Civil Society Engagement

Transparency: A briefing on the recently developed database has been provided by the World Bank's poverty team to donors. The portal includes important information on the projects, including geographic locations, secure vs insecure districts, poverty rates, and more. Civil Society Organizations (CSOs) have been also equipped with no cost mobile application, through which they can share data, image clips and any other relevant information on the currently active WB/ARTF financed projects.

CSO Engagement: Various CSOs have been reached out to provide support to the Community Based Monitoring and Social Audit. At the moment, through the Swedish Committee support, the second quarterly report has been produced on the Health and Education sectors. The report is under the review of the Bank's task teams.

#### 1.5. Social and Environmental Safeguards

The current focus is to identify safeguard gaps in the portfolio. Additionally, the team has been working closely with National Environmental Protection Agency (NEPA) and Ministry of Urban Development and Land (MUDL) as our main social and environmental safeguard agencies to assess their strengths and constraints. The assessment has informed the medium-term capacity strengthening plans for respective agency/ministry. The implementation as per the plans is expected to be completed this time next year. Also, the national legal framework on social and environmental safeguards is under review. The gaps between the national legal framework and the Bank's framework will be addressed through the technical support. The initial assessment has been done on the Land Acquisition Rehabilitation and Resettlement (LAR&R) followed by a workshop on the findings. Also, the teams are working with the TPM to reduce any risks in the portfolio. Through monthly meetings, stocktaking of the internally developed heat map that illustrates the risk status of each project has been discussed. Lastly, at the last portfolio review update, the agreement was made to hold a meeting with the leadership of the implementing ministries in the coming two months on safeguards, and establish a working group that would include relevant technical staff of the PIUs to monitor the safeguards risk in the portfolio and offer timely response with the support of the World Bank safeguard team.

DfID has asked for updates on the Gender Based Violence risk monitoring in the portfolio by the WB since there have been increasing concerns related to the systemic GBV issues coming to surface, as reported in the Logar case. The WB Program Leader presented the approach taken by the World Bank. After the introduction of the new Environmental and Social Framework (ESF) in October 2018, additional guidelines have been provided on how to address the GBV in the portfolio. Institutionally the guidelines would apply to the project prepared under ESF. However, given the environment in which our operations are being implemented in Afghanistan the Country Management Unit and Social Development team decided to carry risk assessment in the entire portfolio and pipeline. In addition to the infrastructure risk assessment tool introduced by the WB HQ, the teams in Afghanistan developed a tailored tool to supplement the infrastructure tool with granular and province specific assessment. Since April 2019, the WB team has carried a portfolio wide risk assessment using three tools; i) civil works ii) Afghanistan specific; and iii) human development focus. As of now, 5 projects are rated with substantial risk and 1 project in the pipeline as high risk (with a caveat that this project has been assessed in its early design stage with limited information available and will be further assessed as the project design progress). As mentioned earlier, the risk assessment was also applied to the projects that predate the ESF. The risk rating has informed the need to manage the risk on project by project basis through the GBV road map (developed and endorsed by the CMU in October 2019). The GBV road map will be partially covered under Anti-Corruption and Results Monitoring Action Plan (ACReMAP) through contingency funding based on its relevance to the safeguards risk management. It is worthwhile to note, the ARTF Gender Working Group has been briefed on the GBV risk assessment tools and way forward in May 2019. Representative of Australia requested to provide frequent updates on the GBV work the WB has been doing at the ARTF GWG monthly meetings.

#### **4. Citizens' Charter Fiduciary Arrangements**

The CCAP task team presented on the existing fiduciary systems and plans in place for the program. The CCAP has released the third tranche of US\$100 out of four from the total US\$400 million and US\$128 million counterpart funding is planned. The financing mechanism is set up between the project management mechanism and community disbursement mechanism. The project management mechanism involves financial management manual, control assessments, TPM site visits of 1100 locations, external audits and other. The community disbursement involves project MIS, control assessment, transactions reviews, community procurement manuals and others. In terms of the procurement, 1/8 of the grant go to the contracts and mostly covered by

the Facilitating Partners. The rest is covered by small goods and services. Due to delays caused by political and implementation factors the project implementation progress rating has been downgraded. Unlike before, the funding would go to the CDCs as 70% and 30% tranche release before actual implementation, now the money is released to the CDCs based on 25% tranche releases each with actual disbursement documentation being in place. CCAP also has enhanced financial management and procurement measurements with adequate planning (details are provided in the ppt). Finally, the CCAP being a platform for so many projects (2/3 of EZ-Kar and EQRA, CASA CSP and potential prototype to address the water scarcity and food insecurity) it is important to address all existing issues. Lastly, the CCAP fiduciary enhancements are informed by the lessons from on-going in-depth review under the ACRMAP.

As we plan the future strategy, USAID recommends to utilize existing working systems taking a sector wide platform approach rather than building single operations' structures in order to realize resource efficiency and consolidation. MoF also agrees on the platform approach for those operations that have community development objectives. It was recommended to consider, during the next portfolio review, how to utilize the CCAP platform for service delivery operations. The WB provided an update that FPs contracts have been amended and revised invoices (totaling US\$32 million) were submitted to MRRD; however, the current national budget is falling short of US\$20 million. MoF will follow up with the relevant departments.

## **5. Afghanistan Energy Study**

The WB task team presented the recently concluded 3-year Afghanistan Energy Study that focuses on knowledge products, household and enterprise energy diaries, least cost electrification plan, institutional assessment and renewable energy study. The financial economics and community modality assessment component has been canceled because a similar study is being carried out by GIZ. The task team conveyed that there is a need for additional work in the sector such as bankable least cost electrification plan, continuation of energy diary survey, sector reforms, and technology leveraging for better electrification. Thus, an application for ARTF ASIST Program funding to support a new 3-year follow-up program is currently being prepared and will be presented to the Strategy Group at the January 2020 meeting. Donors welcomed the heads-up briefing and advised to coordinate with other development partners to ensure there is no overlap on the activities.

## **6. GBV allegation**

Additionally, World Bank's as well as donors' perspectives on the Logar province GBV cases have been shared with MOF Aid Management Director and agreed on the next steps. The Director assured to facilitate the meetings with relevant stakeholders in the government. The WB, DfID, and USAID emphasized the importance of the survivor centric approach and cautioned risks associated with the current investigations. As next steps, it was agreed among the donors, WB and MoF to meet with the MoE, followed up by a joint letter from the donors to the government.