



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Meeting

Wednesday, 23 May, 2018

Summary of Discussions

On 23 May 2018,¹ the ARTF Strategy Group (SG) held its monthly meeting, with 12 donor agencies² represented. The Deputy Minister of Finance for Policy, Ms. Naheed Sarabi, and the WB Afghanistan Country Director, Mr. Shubham Chaudhuri, co-chaired on behalf of the MOF and ARTF Administrator.

Summary

The agenda addressed preparation of the ARTF Partnership Framework and Financing Program for FY1397 to FY1399 (2018-2020) (PFFP), which will be presented to the ARTF Steering Committee for endorsement in June 2018. During the meeting, the SG:

- Endorsed a proposed approach for monitoring and improving ARTF portfolio performance as suitable to be presented to the ARTF SC in the forthcoming PFFP;
- Endorsed a draft explanation of the prioritization in the indicative ARTF financing program as suitable to be presented to the ARTF SC in the forthcoming PFFP; and
- Approved the outlines of a preparation schedule leading to the next SC meeting, which has been confirmed for Monday, 25 June 2018.

The SG also briefly discussed an inquiry from a donor capital about whether there are current plans to update the ARTF administration agreement.

1. Adopting a more structured and GoIRA-led approach to monitoring and improving ARTF portfolio performance.

- The co-chairs asked for feedback on a proposed approach for introducing more structure to the monitoring and improvement of ARTF portfolio performance. The approach would involve quarterly portfolio operational status reviews, in which ARTF project-level operational bottlenecks and fiduciary, safeguards, governance or performance issues are discussed with MOF and representatives of relevant line ministries, and follow-up actions are agreed. In addition to the quarterly meetings, the approach would institutionalize an annual country portfolio performance review (CPPR exercise), to be jointly undertaken by GoIRA and the World Bank, with participation of ARTF partners. CPPRs would be timed to coincide with, and inform, GoIRA's budget formulation process. The reviews would draw on the Implementation Status Reports prepared by WB teams, as well as progress reports from the implementing agency. They would focus on the overall status of the ARTF portfolio with a view to assessing the performance of each project in the portfolio and agreeing on the appropriate action given the assessment. (A menu of options would include, for example: continue the project as is, restructuring, scaling up or down, or potentially cancelling a project that is not delivering as planned.) Relevant proposed revisions to the ARTF financing program stemming from the CPPR would then be reported to the ARTF Steering Committee at its September meeting.

¹ The May 2018 meeting was deferred by one week from the usual third Wednesday of the month because the preceding Wednesday had been tentatively reserved as a holiday to mark the start of the Holy Month of Ramadan.

² Australia, Canada, European Union, Finland, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.



- Similar reviews are already being conducted periodically on an informal basis, but the approach to date has been fairly fluid. Introducing a more structured process aligned with the revised budget preparation calendar (targeting, for example, July or August for annual meetings) is expected to help both in the management of the ARTF portfolio and in GoIRA's effort to enhance discipline in the budget preparation process.
- SG members expressed support for the proposal, but flagged that the prospect of a cancellation or major restructuring of a project for which donor funds had been preferred raises administrative challenges for several. In principle cancellation could, in some cases, trigger a request for funds to be returned. Several members also noted that because the proposal envisions supplementing the CPPRs with quarterly operational status reviews, they expected to be able to minimize the administrative challenges associated with cancellation. Either cancellation would be unnecessary because performance issues would be identified and addressed before cancellation became necessary, or in a worst-case scenario, outcomes of the quarterly reviews would provide sufficient advanced warning of cancellation to manage associated administrative processes in a timely way.
- The WB and MOF underscored that for the exercise to succeed, all participants must be willing and able to consider restructuring or cancellation as an option. This is one reason that the WB encourages preferences to be indicated at the sector level. The objective of the proposed approach is to build consensus around any project decisions, and so transparency, including participation of interested donors, has been built into the design. As with any decision, program adjustments must be in line with GoIRA preferences and consistent with SC approvals.
- A comment observed that successful meetings will require strong evidence of project performance drawing from ISRs and other resources. Related questions asked how the quarterly and annual meetings would be informed by the ARTF Scorecard, whether the ARTF monitoring agent would contribute to the preparations, and if the quarterly review and annual CPPR process would impose additional costs. The WB observed that the approach is distinct from Scorecard preparations and workshops, which are intended to look holistically at results and outcomes. That said, the Scorecard would be expected to inform the meetings, and vice versa. With respect to the monitoring agent, the proposed approach is designed to complement the enhanced monitoring envisioned as part of the Anti-corruption and Results Monitoring Action Plan (ACReMAP). The quarterly and annual meetings are intended as the feedback process that will act on the enhanced performance data. ACReMAP envisions an expanded scope of third-party monitoring, which will increase costs somewhat, but the quarterly and annual meeting process itself is not expected to introduce major costs.
- The SG endorsed the proposed approach as suitable for presentation to the SC.

2. Indicative ARTF financing program

- The co-chairs presented a draft explanation of the principles, process, and priorities used to develop an indicative ARTF financing program, which is proposed for incorporation in the PFFP to be presented to the SC. MOF emphasized that the financing outlined represents the minimum amount required under each NPP. Even in pipeline projects, financing estimates do not reflect "wish lists", but rather the outcomes of comprehensive and detailed consultations.
- Current indicative pledges for the financing period total US\$ 2.4 billion. The financing program is based on this total, but would have to be adjusted and reviewed/approved by the SC if contributions exceed or fall short of pledges, or if there are major changes in the GoIRA development program. Sectoral allocations have not changed relative to the previous draft of the PFFP. Based on comments during April's SG meeting, the WB removed a column showing financing from other sources, and added a column showing financing under the previous ARTF Financing Strategy, to illustrate how financing is evolving over time. (SG members requested that the column illustrating financing from other sources be added back into the document.) Key changes over time illustrate increases in poverty-focused funding and reductions in infrastructure costs.



- Sectoral allocations are not based on a precise formula, but rather are informed by principles of ensuring alignment, consolidating projects where possible, considering institutional and absorptive capacity, considering the relative comparative advantage of the WB as a development partner compared to other bilateral or multilateral partners, and assessments of whether other sources of funds (e.g., IDA) could be used to support some programming or crowded in.
 - The WB is attempting to manage the availability of ARTF and IDA resources. Adjustments to the ARTF/IDA financing split (but not overall financing levels) in some line items may be required between May and the SC meeting, depending on the level of ARTF contributions that materialize.
 - The final PFFP will include information on pipeline projects, also shared previously with the SG.
- If contributions exceed current pledges, allocations for policy-based budget support and rural school construction would likely increase, implementation of the Citizens Charter could be expedited, and funding could also begin to address the next phase of Capacity Building for Results. Finally, GoIRA has expressed interest in enhancing attention to the infrastructure needs of governors' compounds at the district level as central locations for service delivery, including justice services. If actual contributions are less than current pledges, basic services will remain the priority. Projects in an advanced stage of preparation would be allowed to proceed, subject to funding availability, but otherwise the development agenda as a whole would be slowed down.
- A question asked if outstanding NPPs would change the indicative financing when completed. MOF explained that programming in the financing program will likewise be reflected in NPPs. (Completed NPPs may extend beyond the scope of ARTF financing, but that is a separate consideration.)
- Discussion reflected appreciation for the programmatic allocations and the attention to service delivery/poverty. A query asked if there had been any specific adjustments to reflect the newly released poverty numbers. The co-chairs responded that the poverty numbers had been in line with expectations, and therefore had not required programming adjustments. The intensified focus on program operations, including through quarterly and annual reviews, is, however a reflection of the shared understanding of the importance of ensuring that programs are delivering as planned. Economic growth and job creation, including through private sector development, extractives, and agri-business, will be essential to addressing poverty over the long-term.
 - A comment observed that climate change is a growing priority for some capitals. The WB noted that several ARTF programs are embedding functionality to address climate resilience and climate-smart agriculture, and supporting institutional capacity needed to coordinate response.
- In reply to a query from the co-chairs, members indicated the explanation's level of detail is suitable.
- The SG endorsed the draft explanation as suitable for presentation to the SC in the PFFP.

3. Schedule of preparations for the next ARTF Steering Committee meeting

- ARTF Steering Committee will meet Monday, 25 June 10 a.m. to 12 p.m. (est), with lunch to follow.
- WB aims to distribute an updated PFFP draft by Sunday evening, 27 May. Written comments sought by 6 June. An ARTF SG meeting is set for Wednesday, 30 May to discuss the PFFP and SC agenda.
- SG members should advise the WB by COB Sunday, 27 May if they would like WB to host a dinner for SC members and several Heads of Aid ahead of the meeting to provide background on the PFFP.

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- The WB informed members that the Norwegian Ministry of Foreign Affairs (Oslo) had written to the office of the WB Development Finance Vice Presidency to ask if the ARTF administrative agreement, which is based on the 2002 template for multi-donor trust funds, could be updated to align with the 2016 template. The WB asked if other donors were aware of similar questions from their capitals. None were identified. The topic will be discussed in more detail at a later SG meeting.