



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Special Meeting

Wednesday, 30 May 2018

Summary of Discussions

On 30 May 2018, the ARTF Strategy Group (SG) held a special meeting to review the updated draft of the ARTF Partnership Framework and Financing Program and to discuss the agenda for the upcoming meeting of the ARTF Steering Committee. Ten donor agencies¹ attended. The Ministry of Finance was represented by Ms. Sheela Samimy of the Aid Management Directorate. WB Afghanistan Country Director, Mr. Shubham Chaudhuri chaired the meeting.

Summary

The agenda addressed two issues. During the meeting, the SG:

- Provided initial queries and comments on the updated draft of the ARTF Partnership Framework and Financing Program and agreed to provide their written comments by 6 June or earlier; and
- Agreed on a possible structure and discussion topics for the upcoming meeting of the ARTF Steering Committee, which the WB will discuss further with MOF.

1. Initial feedback on updated draft of the ARTF Partnership Framework and Financing Program.

- Comments appreciated the clarity and structure of the updated draft. Donor headquarters have not had sufficient time to contribute to more detailed comments, but these will be forthcoming by or before the requested deadline of 6 June.
- Comments observed that the “ARTF Parent Fund: Ending Cash Balance and Net Position” and the “ARTF Parent Fund: Projected End-June Cash Balance and Net Position” tables (Tables 1 and 2 on pp 28-29 of the current draft) may be difficult for readers to follow.
 - The WB explained that although the PFFP discusses a three-year strategy, in practice, given individual donors’ contribution cycles, budgeting and prioritizing is a continuous process. In the cases of some donors, actual contributions might be received in a Financing Strategy/PFFP period following the period in which associated commitments were made. In some cases, initial commitments are changed, which then results in changed contribution levels. (A comment noted that some donors make commitments in their own currencies, which are subject to fluctuation against the US dollar, the denomination of ARTF expenditures and accountings. The WB agreed that this would be a point to clarify in footnotes to the table.) The WB takes a conservative approach to showing commitments; and does not reflect them as receivables in the financial tables; only actual contributions are reflected.
 - In the first table, “cash balance” reflects cash in the ARTF parent fund that could be committed as of 21 December 2017, at the end of the last Financing Strategy period. The outstanding commitments listed are initiatives that the MC had previously approved (e.g., previous approvals of projects set to commence, or of ongoing projects with pending tranches), and the total value of Incentive Program transfers potentially available to GoIRA subject to confirmation by the IPWG. The difference between available cash and the total of these commitments (ignoring “receivables”

¹ Canada, Denmark, Finland, Italy, Japan, Netherlands, Norway, United Kingdom. The United States and KfW joined via WebEx for a portion of the meeting.



in the form of pending contribution commitments from donor partners) represents the “net position” as of 21 December 2017.

- The second table attempts to demonstrate how both the “cash” and “net” positions shown in the preceding table and commitments are projected to have evolved from December 2017 through the end of June 2018. The expected contributions line reflects new contributions between December and June, and therefore increases the “net” or “cash” total available. The projected commitments and transfers to child trust funds represent projected cash outflows that are the product of existing commitments (e.g., approved transfers following technical review of 2017 IP targets) and new projects or projects ready for approval by end June. These amounts are deducted from the “net” and “cash” totals adjusted for new contributions. In combination, if all of these outflows were to proceed, the trust fund would reflect a negative balance in both the “cash” and “net” balances. To avoid the liquidity problem that this would pose, GoIRA and the WB will postpone/delay signing of the new IP project, EQRA, etc. until later in July, or potentially August/September as needed in order to await inflow of additional contributions.
- The SG agreed that it would be helpful to supplement the tables with these explanations.
- A query asked for clarification on the source (IDA versus ARTF) of funds proposed for the Financial Stability Fund (FSF). The WB explained that following discussions in the IPWG, it was agreed that US\$ 300 million in funding for the FSF would be drawn from ARTF, rather than IDA funds, and that is what is now reflected in the draft PFFP.
- In response to a question about whether there is a fixed expectation for the total budget of the proposed ASIST window, the WB noted that following donor feedback from the 2 May Special Meeting of the Strategy Group, the initial projected value of this window had been increased in the latest draft. While there is not a fixed maximum value for ASIST, actual increases in funding (either using existing ARTF resources or in connection with incremental new contributions by bilateral donors) would be subject to agreement by MOF and the Strategy Group.
- A question asked if the SG would be willing to discuss making more concrete commitments to disadvantaged groups, either in connection with the PFFP or in other ongoing discussions of program development. The WB noted that this is an ongoing discussion within the WB team, as well, in particular because beginning in October 2018, new projects will be subject to the WB’s new Environmental and Social Framework, which will replace the existing Safeguards Policies. Rollout of the new policies will be challenging, but will present valuable opportunities for considering labor standards, social inclusion, ongoing citizen engagement and related issues. There are two levels of discussion that require attention; both the ongoing commitment to overall due diligence, and how ARTF-financed programs can make a strategic impact on improving conditions for disadvantaged groups. These would be valuable topics to consider taking up in the SG moving forward.
- A comment suggested that the PFFP further clarify why some key priorities, including rule of law and anti-corruption, are not reflected as ARTF funding. The WB agreed that while the PFFP specifies the factors used to decide on the allocations proposed in the PFFP, it does not fully articulate *how* each factor affected the proposal. This can be further clarified. On the question of rule of law/anti-corruption specifically, the main factors affecting the lack of a proposed allocation from the ARTF were the WB’s lack of comparative advantage and the existence of other funding for the sector. Additional comments noted that the PFFP should reflect the latest developments in the planned EQRA project, and should somewhat expand on the plans to update the ARTF scorecard in the coming year.
- A comment observed that it would be valuable to learn more about GoIRA’s approach to making the judgments required allocating funds to various priorities. Though the topic that does not need further attention in the PFFP (the draft explains how proposed ARTF allocations were reached, and outlines priorities in the event that funding either exceeds or falls short of current expectations) the comment observed that it would be valuable to discuss the resource allocation model (both the decision-making process and actual scenarios) further, perhaps in the context of the SC meeting itself.



- SG members agreed to provide additional comments, if any, in writing on or (ideally) before 6 June. The WB will distribute a version of the draft in MS Word to make commenting easier.

2. Discussion draft of ARTF Steering Committee meeting

- The WB stressed that the draft of the ARTF SC meeting agenda was offered to help prompt discussion, and has not yet been discussed with the Ministry of Finance. The WB sees it as important for the meeting to be concise, for SC members to have opportunities to comment on the document itself, and also to promote a broad discussion about how to frame the ARTF agenda for the coming year. To that end, the WB asked if it would be helpful to shorten the proposed time to be devoted to discussion/explanation of the PFFP, and instead to devote more time to forward looking issues?
- Responses observed that given the substantial discussions of the PFFP before the SC, the PFFP discussion could be shortened, leaving more time for discussion of topics that might include:
 - How both partners and the Government can adjust current practices to help the Government prepare, as it looks ahead both to 2020 and to the end of the Decade of Transformation, to lead the discussion of resource prioritization/allocation, to plan for transitioning assistance models (de-projectizing support, ensuring value for money), attracting new resources (including emerging donors) and the like in light of fiscal and economic realities; and
 - How the ARTF can contribute to Government-led aid coordination (e.g., SWAPs, aid architecture). This topic could be a useful precursor to the discussion that may be planned around the same topic at the upcoming meeting of the Joint Coordination and Monitoring Board.
- In response to a question from the WB on the best format for the PFFP discussion and the forward-looking portion of the meeting, the SG agreed that SC members should each be allocated a brief opportunity formally to comment on the PFFP. The forward-looking discussions could be less formal, and could potentially be facilitated by one or more of the SC members, rather than the co-chairs. The WB will discuss the proposed agenda (updated to reflect the SG discussion) with MOF.

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- None.