



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Meeting

Wednesday, September 26, 2018

Summary of Discussions

The ARTF Strategy Group (SG) held its monthly meeting on Wednesday, September 26, 2018. Representatives of 10 donor partners,¹ the Ministry of Finance (MOF), and the ARTF Administrator (World Bank) attended. Mr. Shubham Chaudhuri, World Bank Country Director, chaired.

In addition, representatives of the National Statistical Information Agency, the Ministry of Economy, and the Ministry of Mines and Petroleum joined the meeting to present proposals for use of the newly established ASIST Facility to support technical assistance in their ministries.

Summary

The SG affirmed partners' continuing support for addressing climate change as addressed in the ARTF Partnership Framework and Financing Program (PFFP), particularly given concerns around drought, and agreed to organize focused discussions around the topic moving forward. The SG also reviewed updates on implementation of PFFP initiatives including ASIST and ACRéMAP, quarterly portfolio reviews and annual country portfolio performance reviews, ARTF finances and the ARTF pipeline. Moving forward, the expressed interest in targeted discussions regarding pipeline projects now under preparation, specifically with respect to civil service reforms.

1. Cooperation and Support on Climate Change

- World Bank Program Leader for Sustainable Development and Infrastructure Jane Ebinger presented the Climate Change Discussion Note distributed ahead of the meeting. (Attached.) Climate change is one of the cross-cutting themes addressed in the ARTF Partnership Framework and Financing Program (PFFP). At GoIRA's request, the indicative ARTF pipeline (Table 11 of the PFFP) includes \$85 million for potential ARTF-financed support to agro-water management and climate resilience programming, with an additional \$15 million in potential IDA funding. The Bank has been considering options for structuring engagements in the area.
- MOF stressed concern over data indicating that 2.2 million people are affected by drought. Recalling a meeting convened by HE President Ghani with Acting Minister Qayoumi, representatives of the Ministry of Agriculture, Irrigation and Livestock, and others, MOF underscored the President's focus on long-term water scarcity, transboundary water, and watershed management. GoIRA is thinking in terms of a three-phased response comprising immediate relief, recovery and reconstruction. Drought is a longstanding concern, and particularly important given its impact on agriculture, and therefore livelihoods.

¹ Australia, Canada, Denmark, European Union, Finland, Japan, Norway, Sweden, United Kingdom, United States.



- The Bank invited partners to provide insights into whether climate change remains a priority in their portfolios, and to describe whether/ho existing bilateral funding supports programming in the area, to ensure that ARTF-related planning is well-coordinated moving forward.
- The **EU** reported that humanitarian colleagues from the European Civil Protection and Humanitarian Aid Operations (ECHO) team recently traveled the country for a week, and observed worrying levels of drought-related internal displacement in west regions. Drought has been treated as a yearly crisis but is in fact an ongoing problem requiring a systemic response. The EU supports three initiatives linked to climate change: the first is a continuation of a program on water management in the north, which has been ongoing since 2004 in partnership with WCF, AKDN and GIZ. The second is a project with MOFA on transboundary water management, and the third is part of an ongoing initiative with Kabul Municipality that aims to scale up green homes through means of sustainable energy in Kabul. The EU would be interested to consider options for a more structured approach through the ARTF and for coordinating off-budget activities so as to respond effectively to significant need. The EU is also pleased that Afghanistan has developed a Natural Resource Management Strategy. The strategy has both strengths and some weaknesses, but may help to structure discussions.
- The Bank thanked **Sweden** for providing written inputs, which were distributed to partners at the meeting. A 2017 policy decision requires SIDA to integrate and assess climate in all contributions. Sweden is the largest per capita donor in the world to the financial mechanism under the UN Framework Convention on Climate Change – the Green Climate Fund (GCF) and the Global Environment Facility (GEF). In Afghanistan, SIDA is not currently providing direct support to climate change mitigation or adaptation, but is appraising a project proposal from the Afghanistan Resilience Consortium. With a proposed budget of 120 MSEK until December 2021, the initiative would support eco-based, community-based disaster risk reduction focused on the risks of various types of floods and drought. Implementation would take place in six provinces: Takhar; Badakshan; Samangan; Bamyán; Jawzjan and Sari Pul. Sweden welcomes the inclusion of climate change in the PFFP, particularly in combination with the new Environmental and Social Framework to be rolled out for new projects effective October 1, and flagged several questions for future discussion, including whether a Strategic Environmental Assessment could play a role in ARTF planning moving forward.
- **Finland** also welcomed the discussion, noting that climate change is a cross-cutting theme of its own planning for development assistance. A recent internal evaluation assessed that there are opportunities for Finland to improve its effectiveness on climate change issues, and so the subject is one that will be followed closely from headquarters. Finland has no current support for climate-specific projects. Some time ago, Finland considered a request from GoIRA to offer support on re-forestation. While the issue is important, considering the amount of land mass that is forested and the rate of deforestation, Finland determined that it lacked the resources or capacity to begin engagement in what would have been a new sector for its development support. **Denmark** observed that it had previously supported a study on forestry in four eastern provinces, which had been intended to help shape a large program, but the partner ministry had experienced difficulty executing the project budget. Noting the high percentage of rural investments directed to water or irrigation by communities working through the CCAP program, Finland would like to discuss if the program could function as a platform to build awareness or work on mitigation measures. Similarly, Finland suggested considering whether EQRA could further support education initiatives on climate change.



- Through FAO, **Norway** recently supported a highly successful project conducted outreach to farms on pest-resistant crops (eco-friendly agriculture) through farmer-based schools. Norway consulted MAIL regarding a second phase of the initiative. The Ministry observed that the ARTF National Horticulture and Livestock Project incorporates work with farmer-based schools. Accordingly, Norway plans to consolidate its support through ARTF moving forward.
- **USAID** stressed the need to avoid duplication with both ongoing or past initiatives, noting that a presentation at the July Joint Coordination and Monitoring Board meeting, which announced a new university partnership to support an early warning system, appeared to overlap a longstanding and successful USAID-supported initiative, and had caused some concern.
- **Canada** has no global climate change funding streams or climate-specific programming in Afghanistan, but supports technical assistance on emergency preparedness and disaster response through the Canadian Red Cross, and views food insecurity as a fundamental concern that can be exacerbated by climate change unless countered. Canada urged care with respect to extractives discussions, given the risk that mining can be a heavy carbon generator. Public works likely to be relevant for climate change also present opportunities for labor-intensive initiatives, a positive for jobs. Climate change could also be a political issue, given the vulnerability of economies in the region to negative effects from climate change.
- The **UK** noted broad consensus on the importance of the issue and encouraged further focused discussion to assess specific opportunities for intervention so as to avoid the problem of a cross-cutting theme receiving standard “lip service” not accompanied by action. The Bank welcomed support. The Bank team will follow up with donors to ensure information on focal points for climate change issues is current, and to facilitate follow-up discussions on an appropriate approach. The EU is organizing an event on the morning of October 1 as a continuation of the Serena Dialogue, and welcomed partners to join.

2. Famine Action Mechanism

- During the April 2017 Spring Meetings, WBG President Kim and UNSG Guterres co-hosted an event at which participants endorsed a zero tolerance for famine and urged the Bank and its partners to “do more, and do better” to anticipate and respond to famines. The WBG, UN, EC, and the ICRC are partnering with bilateral agencies, NGOs, academics and the private sector to work on famine across the humanitarian-development-peace nexus.
- A Famine Action Mechanism (FAM) has been proposed to increase the impact of international famine prevention and mitigation efforts. FAM will aim to strengthen the evidence base for decision-making in high risk countries, mobilize financing to support investments in famine prevention and preparedness, and work to mobilize resources before crises occur.
- Five ‘First Mover’ countries - Afghanistan, Chad, Somalia, South Sudan, and Yemen – will receive initial focus. A workshop is tentatively planned for the first half of November to convene stakeholders in Kabul. The Bank will keep partners informed of the plans, which will offer another opportunity for concrete engagement around the themes

3. Updates and Announcements



- **Updating ARTF administration agreement to continue ASIST and ACRReMAP implementation** – The WB continues to advance implementation of the ASIST and ACRReMAP windows established in the PFFP. In July, the SG received updates on the establishment of two new windows and the dissemination of ASIST guidelines to technical teams. In August, the SG reviewed initial ASIST proposals. The next phase of implementation will require updating the ARTF administration agreement to reflect the newly established windows. Amendments to the administration agreement will be limited to those required to give effect to the ARTF Steering Committee decision to establish the two windows. Following similar processes of amendment to reflect Steering Committee decisions, the amendments will be forwarded by letter, and will take effect on dissemination, not requiring signature. The Bank emphasized that this process is distinct from discussion of possible joint work on other amendments not already discussed or endorsed by the SC, as raised by Norway and others.
- **Quarterly portfolio reviews and annual country portfolio performance review** – The Bank and MOF still intend to involve interested donors in ARTF portfolio review meetings. The initiative has attracted high-level interest by Acting Minister of Finance Qayoumi, who hopes to participate personally. Scheduling complications delayed initial plans for the meetings, and then the budget preparation process made it impossible for MOF teams to be available for separate portfolio discussions. The intention now is to combine the quarterly meeting initially planned over the summer with the annual country portfolio performance review in October. In the meantime, technical level work continues, and existing bottlenecks have been identified and shared with line ministries. MOF is actively reviewing projects across both the discretionary and non-discretionary development budgets as part of this year’s budget preparations, with the objective of streamlining the budget. The review has identified a number of discretionary development projects that have been reflected in the budget for years without significant progress and may be eligible for cancellation. (Non-discretionary development projects supported by ARTF/WB and AITF/ADB tend to be better performing. In response to a query from the EU, MOF did not identify any ARTF-supported initiatives that are likely to be considered for cancellation as part of the country portfolio performance review.)
- **ARTF pipeline** – As reported by email, on September 17, the ARTF Management Committee (MC) approved additional financing for the Higher Education Development Program (\$5 million), and approved an extension of the project through December 21, 2022. The MC also approved ARTF support to EQRA (\$100 million) and WEE-RDP (\$75 million). Both projects will be presented to the WBG Board of Executive Directors for review and approval of IDA contributions (\$100 million² and \$25 million respectively) on September 28.
- Bank teams are working to prepare three new ARTF-supported operations for approval in December: **Taghir** (civil service reform) will be co-financed by ARTF and IDA, with ARTF as the largest financing source. **EZ-Kar** (returnee reintegration) will also be co-financed, but most funds will come from IDA sources. The **Fiscal Stability Fund** (a complement to the IP-DPG that replaces baseline financing under the Recurrent Cost Window) will be ARTF-financed. The IP Working Group has discussed the FSF concept, and individual partners have received more detailed briefings on request. Bank and MOF teams are discussing specifics with the International Monetary Fund during ongoing discussions Tashkent. Project documents should

² Note that the total budget for EQRA is \$298 million. The remaining \$98 million in support is provided by a Global Partnership for Education Grant.



be available for dissemination soon. The ARTF SG expressed interest in discussing these three projects in greater detail, either at the next SG meeting or in dedicated meetings.

- With respect to Taghir preparations, the Bank flagged the need to give careful consideration to sustainability of the civil service wage bill, including Tashkeel positions, and also on- and off-budget project-supported National Technical Advisors (NTAs). In the past, donors have supported a variety of mechanisms aimed at drawing talent into government service, often relying on an elevated salary scale, and projects have also supported costs of staff who are actually performing core government functions in a projectized way. The cost of these functions is high, and addressing fiscal sustainability requires solutions that are politically and technically viable. MOF noted that Acting Minister of Finance Qayoumi has prioritized this issue. The Bank hopes to organize a dedicated meeting at some point before December in partnership with MOF and the Afghanistan Independent Reform and Civil Service Commission at some point before December. A comment observed that donors frequently face pressure to fund NTA staff through alternative means, and it would be valuable for donors to agree on a common position and adhere to it. Other comments noted that the issue is one that goes beyond ARTF partners, and is relevant to the United Nations Agencies, Funds and Programs as well as the Asian Development Bank and other actors and donors, although of course ARTF partners are also key funding partners to other multilateral agencies.
- **ARTF financials** – The ARTF team has developed a financial reporting format that it intends to share at monthly Strategy Group meetings to help keep donors updated on the financial status of the fund. The report provides information as of August 22 (the last full month for reporting), and provides information on contributions received and commitments made during the preceding three months. It also includes projections for the next two months, but note that projected contributions are not reflected in the reports until the ARTF team has received a written confirmation of amounts from the donor partners. As of August 22, the ARTF held a positive cash balance of \$300.85 million and a negative net position of \$677.25 million. Cash balances were projected to decline, and obligations to increase, through October, which would create a larger negative net position. The projections did not reflect contributions that had been mentioned but not yet documented, including the 2018 contribution from USAID.
- **ARTF Gender Working Group update** – At its September meeting, the ARTF Gender Working Group reviewed drafts of gender-related components in the ARTF Scorecard. The GWG observed that it would be useful to organize a joint discussion of final Scorecard results with both the SG and GWG when the final document is available.

4. AOB

- The EU noted its interest in discussing with other ARTF donors whether engagements with GoIRA could be coordinated to support programming and reform priorities financed by ARTF.



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ATTACHMENT

CLIMATE CHANGE DISCUSSION NOTE

BACKGROUND

Afghanistan is highly vulnerable to climate change and faces many stresses that impact food, water and energy security, including those linked to its arid/ semi-arid climate and vulnerability to droughts and floods. In the past 30 years, Afghanistan ranked 24th globally for climate risk and 15th for weather-related disasters³. Vulnerability is expected to continue; Afghanistan is ranked 8 of 170 countries for its vulnerability to climate change in the next 30 years. The high poverty rate, exposure to climate change events, and reliance on flood/ drought prone agricultural land are significant contributing factors⁴.

With significant temperature increases projected, as well as changes in the timing and volume of precipitation, droughts will become a norm by 2030 and flood events will be more intense. Afghanistan's rangelands and forests are already degraded and by 2060, large parts of the agricultural economy could become marginal without significant investment in water management and irrigation. While future water scarcity will be a function of population growth, there is a 10-30 percent likelihood that climate change alone will decrease water availability by 50-70 percent in Afghanistan⁵. Cross-sectoral and transboundary water management will become increasingly important together with investments in ecosystem based adaptation. Afghanistan is a hotspot for significant changes in the climate-sensitive burden of disease (including diarrheal diseases, malnutrition and malaria) and national-level analysis could help determine specific mitigation approaches. Investments in infrastructure – including energy, transport, urban developments – that build climate considerations into the design and operation of these assets, will also be needed.

The poor are particularly vulnerable. Natural disaster and climate-related shocks affect 59 percent of the population (compared to 15 percent exposed to security-related shocks), especially in poorer regions. Fifty-nine percent of poor people have experienced water shortage shocks versus 46 percent of those who are not poor, 41 percent have suffered from natural disasters versus 34 percent who are not poor. Exposure to shocks has long lasting welfare and poverty implications. Nearly half of all households experiencing shocks report using at least one harmful coping mechanism, such as selling assets or taking children out of school, trapping them further into

³ Germanwatch (2018). Global Climate Risk Index.

⁴ Maplecroft (2011). Climate Change Risk Atlas.

⁵ USAID (2016). Fact Sheet. Climate Change Risk Profile, Afghanistan.



poverty. Poor people in the lagging regions, especially in the Northeast and West Central regions, exhibit all these characteristics⁶.

By 2030, Afghanistan could see a 2 to 6 percent increase (in a more pessimistic scenario) in the number of extremely poor people linked to the vulnerability of its agriculture and health sectors to climate change and exposure to climate-related natural disasters⁷. Women and children will be more exposed⁸. Instruments to mitigate the impact of shocks can increase the ability of families to cope and recover, and could play an important role in poverty reduction strategies. Fiscal approaches such as insurance mechanisms, improved access to financial services for the poor, support for greater voice and inclusion of women in the economy and to finance, and strengthened/ focused climate-related public expenditure could help to reduce the impact of climate-related shocks and complement efforts to build the adaptive capacity and resilience of communities. It will also be important to build the capacity of the Afghanistan National Disaster Management Authority (ANDMA)—at the central and subnational level—so they can move beyond disaster relief to an integrated approach to disaster prevention and planning.

Population movements are already a challenge and will increase with climate change. There are identified hotspots for internal climate-related migration (mostly in the northeastern parts of the country) over 2030-50 and beyond⁹. Given the potential scale of migration and current challenges, it will be important to invest in increasing the resilience of people so they can adapt in place or migrate to areas with greater livelihood opportunities without increasing stressors in receiving areas.

Afghanistan's Intended Nationally Determined Contribution¹⁰ and voluntary report to the UN High-level Political Forum¹¹ on progress with the Sustainable Development Goals (for poverty and hunger), identify several adaptation priorities (for water, natural resource management, energy, agriculture, as well as hydro-meteorological monitoring) and an aspiration to develop along a low carbon path – subject to receiving appropriate financial/ other support, and if this doesn't impinge on its socio-economic development goals.

Several institutional mechanisms set a framework for climate-related action but climate considerations need to be integrated into laws and programs more explicitly¹². More support is

⁶ IDA, IFC, MIGA (2016). Country Partnership Framework for the Islamic Republic of Afghanistan for the Period FY17 to FY20. Report No.: 108727-AF.

⁷ World Bank Group (2016). Shock Waves, Managing the Impacts of Climate Change on Poverty.

⁸ The World Bank Group (2011). Gender & Climate Change: 3 things you should know.

⁹ World Bank Group (2018). Groundswell, Preparing for Internal Climate Migration.

¹⁰ Islamic Republic of Afghanistan (2015). Intended Nationally Determined Contribution, Submission to the United Nations, Framework Convention on Climate Change, 21 September 2015.

¹¹ Afghanistan (2017). Sustainable Development Goals. Voluntary National Review at the High Level Political Forum SDGs' Progress Report.

¹² NEPA & UNEP (2015). Climate Change and Governance in Afghanistan.



needed to facilitate greater cross-ministerial coordination and build national capacity for climate action. This also applies to the population at large, especially given education levels, so they have the tools to adapt to climate change.

The ARTF's Partnership Framework and Financing Program (2018-20)¹³ identifies development and reform support priorities. Climate change is a cross-cutting theme and support is provided through the research and analysis program and the investment window. On the latter, climate co-benefits assessment identifies the portion of investment financing that delivers positive benefits associated with reducing or sequestering greenhouse gas emissions or enabling beneficiaries to adapt to the negative impacts of climate change.

ARTF-financed programs are included in the country-level monitoring of commitments in the WBG's Climate Change Action Plan (2016-20), which aims to increase climate-related share programming from 21 to 28 percent by 2020. This monitoring shows that in Afghanistan, co-benefits have risen from 0 to 4 percent over FY11-18. In FY18, co-benefits spanned all thematic areas (sustainable development, human development, equitable growth finance and institutions) and covered mitigation and adaptation. Given the country's high vulnerability to future climate change it will be important to explore how to boost the sustainability and resilience of investments going forward.

DISCUSSION QUESTIONS

Each of us is working through the ARTF, and bilaterally, to support the government's development and reform priorities.

- Can you share information on your research, advisory and/ or investment priorities, and any support that is planned or underway on climate change?
- What is your view on the status of government strategies and policies, and the institutional landscape for climate action? Have you conducted any stakeholder analysis on this issue? What does this tell us about government priorities, needs and key actors on climate change?
- What do you see as the main challenges to scaling up finance for climate change in Afghanistan? What could be done to remove financing constraints?
- We have identified climate change as a cross-cutting theme in the ARTF's current Partnership Framework and Financing Program, what are your views on how we should move forward with climate change in this context? What are the implications for our future collaboration?

¹³ Afghanistan Reconstruction Trust Fund, Partnership Framework and Financing Program: FY1397-FY1399 (2018-2020), Endorsed by the ARTF Steering Committee, June 25, 2018.