The ARTF Steering Committee (SC) met in Kabul on May 20, 2019. Representatives of 15 current donors attended. They were joined by representatives of five former donors, who attended as observers, and the United Nations Assistance Mission in Afghanistan (UNAMA), in its standing role as an observer. H.E. Mr. Mohammad Humayon Qayoumi, Acting Minister of Finance, and Mr. Shubham Chaudhuri (World Bank Country Director) co-chaired the meeting. Mr. Hartwig Schafer, World Bank Vice President for the South Asia Region, and Mr. Henry Kerali, incoming World Bank Country Director for Afghanistan, joined the meeting as special guests.

Summary
The Steering Committee endorsed the FY 1398 (2019) ARTF Update to the Partnership and Financing Framework Program: FY1397-FY 1399 (2018-2020) (the PFFP update), including (i) the outcomes of the January-March 2019 Country Portfolio Performance Review; (ii) an ARTF working group recommendation to redirect financing away from a planned 2019 Fiscal Stability Facility into an expanded 2019 Incentive Program Development Policy Grant; and (iii) an ARTF Strategy Group recommendation to close the Recurrent and Capital Costs investment project financing operation in December 2019. Collectively, the endorsed changes were expected to result in six amendments to the ARTF portfolio and pipeline.

The meeting also reviewed and endorsed the PFFP Update’s report on the status of six core reforms endorsed in the original ARTF Partnership and Financing Framework Program: FY1397-FY 1399 (2018-2020) (PFFP), in line with Geneva Mutual Accountability Framework (GMAF) indicator 16.1, reaffirming and updating key commitments linked to those reforms, and discussed ARTF planning beyond the current PFFP period, and discussed planning for the ARTF post-2020.

1) Setting the Context
The Acting Minister of Finance, His Excellency Mr. Mohammad Humayon Qayoumi, welcomed participants, and observed that since its establishment in 2002, the ARTF has been a crucial instrument for donors’ on-budget support to the Government of the Islamic Republic of Afghanistan (GoIRA), supporting reconstruction, service delivery, capacity building and reforms, and helping to offset uncertainty through predictable financing for the country’s development.

The Minister reported that the overall status of the ARTF portfolio remains satisfactory, and briefly outlined GoIRA priorities for the year ahead. The government aims to continue enhancing its engagement in ARTF planning and implementation through prioritization of the pipeline and efforts to address implementation bottlenecks. Performance against Incentive Program

---

1 Fifteen current donors joined the meeting: Australia, Canada, Czech Republic, Denmark, European Union, Finland, Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom, and United States. UNAMA joined in its role as an observer. In addition, four former donors observed the meeting: India, Iran, Russia, and Turkey.

2 Five former donors joined the meeting as observers: India, Iran, Russian Federation, Spain and Turkey.
benchmarks in 2018 was strong, and GoIRA is ready to deliver on incentive-based budget support in 2019. Performance of the Investment Window portfolio, which is designed to implement the Afghanistan National Peace and Development Framework (ANPDF) and its associated National Priority Programs (NPPs), will remain a priority, along with efforts increasingly to move to program-based approaches. GoIRA hopes to continue strengthening the feedback loop between government and the new Bank-executed ASIST and ACReMAP windows, including on third-party monitoring. The Minister welcomed discussion with Steering Committee members as part of the continuous improvement of the ARTF.

World Bank Vice President for the South Asia Region Mr. Hartwig Schafer observed that the Steering Committee is strategically important for the ARTF, but is also relevant beyond the Afghanistan program. As the World Bank's largest and longest-standing single country multi-donor trust fund, the ARTF is a source of knowledge for other programs in fragile and conflict-affected environments. As such, it represents a global public good. The Steering Committee-guided vision embodied in the PFFP and previous financing strategies has supported pioneering initiatives such as third-party monitoring and a Gender Working Group, which can help other country programs learn how to maximize the impact of partner resources. Partners' input on the continuous improvement of the ARTF is strongly appreciated. Lessons from the ARTF are informing World Bank approaches globally, both in trust funds and under the 18th replenishment of the International Development Association, pursuant to which the World Bank Group has doubled its core resources for fragile and conflict-affected countries. Mr. Schafer re-affirmed the World Bank's commitment to the ARTF partnership, and invited candid conversation about the achievements, challenges and opportunities for implementation of the PFFP.

2) ARTF Partnership Framework and Financing Program.

Deputy Minister of Finance for Policy Presentation on PFFP Update - Deputy Minister of Finance for Policy Naheed Sarabi presented the status of the Partnership Framework and Financing Program: 1) offering updates on the ARTF's finances, on the status of the ARTF portfolio, and on the progress of the six thematic initiatives set out in the PFFP and endorsed in the GMAF; and 2) presenting for Steering Committee endorsement three recommendations and three suggested commitments that arose from ARTF working group discussions over the course of the preceding year.

ARTF Finances – The Deputy Minister thanked ARTF members that contributed to the Fund in FY 1397, noting that contributions had reached 99 percent of the totals pledged. She also recognized several countries that had adjusted their pledges, resulting in some increase to the overall ARTF envelope during the PFFP period.

Though contributions are broadly on track, the Deputy Minister flagged a potential concern regarding ARTF cash flow in the second half of 1398 (2019): in line with the PFFP portfolio plan, the ARTF Management Committee is expected to review ARTF financing for the 2019 iteration of the Incentive Program Development Policy Grant (IP-DPG) in June 2019, and the World Bank Board of Executive Directors is scheduled to review the program for approval of IDA financing in the same month, following the Management Committee meeting. Once approved, IDA funds would disburse for the achievement of prior actions. The ARTF financing supports policy actions, structured as tranche release conditions targeted for review by November 2019. As of the the Steering Committee meeting, the ARTF lacked sufficient unallocated cash to cover the full value of the IP-DPG's tranche release conditions. Some of the ARTF's largest contributors tend to make
their contributions in the third or fourth quarter of the calendar year. If contributions are made as planned, financing will be sufficient. The Deputy Minister encouraged partners to consider, however, that delayed contributions could affect the ARTF’s ability to disburse against policy achievement as planned, which could in turn affect GoIRA’s end-of-year cash flows. She affirmed the government’s commitment to assisting any partners working to process contributions to the Fund in the second half of the year.

**ARTF Pipeline** – In FY 1397, ten new projects were prepared, negotiated, and approved for ARTF financing. Two more were approved in April 2019, bringing the total new projects approved under the PFFP to 12 as of May 20, 2019. Thus, as of the Steering Committee meeting, project design and preparation had been completed for 70 percent of the pipeline projects approved in the PFFP. All but two (the Fiscal Stability Facility and the EQRA project preparation grant) were co-financed by IDA and/or other resources. Together, the new projects represent a total of US$ 1.858 billion in commitments. This sum comprises US$ 1.13 billion in ARTF support and IDA or other World Bank (e.g., global trust fund) financing of US$ 738 million.

The Deputy Minister recognized GoIRA and World Bank teams, as well as international partners, for the significant work required for this progress, not only because of the number of programs that advanced, but also because of quality of new projects and their links to GoIRA development priorities. While the formal update focuses on progress of the pipeline of new initiatives endorsed in the PFFP, DM Sarabi also emphasized that GoIRA remains committed to implementation of existing projects, including those carried over from the previous financing strategy. As of the end of April 2019, the entire ARTF-supported portfolio included 27 projects under active implementation. Each was reviewed in the March 2019 Country Portfolio and Performance Review wrap-up. Programming balances historic ARTF priorities and major ANPDF objectives, including service delivery; women’s empowerment; civil service and payroll reforms, incentivized policy action, promotion of public-private investment, returnees, urban governance, and land.

**ARTF Thematic Initiatives** – In addition to financing and programmatic priorities, the PFFP incorporated thematic priorities to improve the ARTF partnership. The initiatives grew out of the recommendations in the fourth external review of the ARTF, and are reflected in the Geneva Mutual Accountability Framework.

The Deputy Minister highlighted key achievements under thematic priorities: 1) In FY 1397, for the first time, 100 percent Recurrent Cost Window support was incentivized. Through the introduction of MOF’s Policy Action Coordination Team, the transition to incentivized financing also contributed to enhanced coordination among policy programs, including the IMF extended credit facility, the EU SRBC and the ARTF Incentive Program Development Policy Grant; 2) New ARTF structures had begun delivering targeted technical assistance, deepened anti-corruption efforts, and expanded third-party monitoring; 3) GoIRA led an overall review of the ARTF-IDA portfolio, which concluded in March and benefitted from strong donor participation. While the plan to conduct quarterly Portfolio Operational Status Review meetings did not fully materialize, it will be a target for FY 1398; 4) GoIRA and the World Bank substantially expanded the volume and frequency of regular updates to partners. Full details of the progress were included in the written PFFP Update distributed to partners ahead of the meeting. Looking ahead, GoIRA and the World Bank will continue focusing on the thematic initiatives, including efforts to increase the government’s leadership in the oversight of the portfolio, and deepening collaboration in key sectors.
**Requests for Steering Committee endorsement:** Deputy Minister Sarabi outlined the recommendations, commitments, and portfolio adjustments presented in the PFFP Update for Steering Committee endorsement.

**Discussion of PFFP Update** Steering Committee members and observers discussed the PFFP Update and requests to the Steering Committee.

The **European Union (EU)** appreciated the portfolio’s alignment to government priorities, including the growth strategy, and updated Steering Committee members that the same is true for the EU’s bilateral portfolio, as confirmed by recent meetings with the government. The EU appreciated the coordination, consultation, and information sharing around the PFFP. Much can be achieved even with significant challenges in procurement, financial management, and high risk areas. The EU affirmed the general focus on social impact as an important indicator and noted the importance of understanding how the ARTF delivers for individual Afghans. The EU affirmed the planned closure of the Ad Hoc Payments Facility, and looked forward to advancing the commitment to deeper sectoral coordination, encouraging partners to build on existing coordination mechanisms in the health and justice sectors in particular. The EU also observed that more regular transmittal of information on opened and closed World Bank Integrity investigations would be valuable to partners.

The **United States of America (US)** expressed appreciation for the strong ARTF partnership, and intensified efforts on coordination, and strengthened third-party monitoring. The US underscored the increasingly intense global competition for donor resources, in particular in conflict zones, and noted the importance of demonstrating strong stewardship of resources. The US anticipates sustaining its partnership to and through the ARTF. The US strongly endorsed the EU’s support for sectoral reviews, and observed that multi-donor sector reviews in particular would contribute to ensuring consistent messaging to donor partners. The US seconded and reinforced the continued focus on anti-corruption measures, noting that the Steering Committee coincided with the release of UNAMA’s report on the progress in anti-corruption initiatives over the last 18 months. Partners continue to observe strong commitment by government, particularly to merit-based hiring in the civil service. Progress of rule of law mechanisms for holding individuals to account is less satisfactory, and can have a disproportionate impact on perceptions. The US remains interested in and ready to partner with the government to realize anti-corruption commitments, particularly important during an electoral period. The US requested a brief in the coming weeks on measures the Ministry of Finance is taking with other ministries to make clear that diversion is not sanctioned, and individuals responsible for acts of diversion will be held accountable. The US also commented that as partners consider financing needs looking ahead, it will remain important to preserve funding to address humanitarian needs.

**Germany** appreciated the preparations ahead of the Steering Committee meeting and the comprehensive PFFP Update. For Germany, the ARTF is a governance commitment. Germany welcomes continuation of the policy-based operation, and expressed its intent to continue incentivizing its contribution to ARTF in line with agreed reform agenda. In 2019, 60 million of Germany’s ARTF contribution will be subject to progress on Geneva Mutual Accountability Framework commitments on anticorruption, elimination of violence against women, women’s economic empowerment, and mining sector transparency; progress will be reviewed later in 2019. Germany appreciated expanded information dissemination and coordination in the ARTF partnership, encouraged all stakeholders to work together to address systemic issues identified...
in the first Country Portfolio and Performance Review, and looked forward to continued progress on the ARTF Scorecard. Germany supports the requests noted by other donors for more regular transmittal of information on World Bank Integrity investigations.

**Finland** observed that anti-corruption and good governance are increasingly important in the global development context, and welcomed progress on Steering Committee-endorsed priorities. Finland noted its endorsement for the PFFP Update, and underscored that it remains committed to sector-wide approaches and enhanced coordination, increased use of results-based instruments, expanded anti-corruption efforts, and the government-led approach to monitoring portfolio performance. Finland also thanked the co-chairs for the improved information sharing over the last year, for achievements on gender and inclusion of persons with disability in the program, and appreciated efforts on climate change, expressing the hope to see these themes further strengthened and mainstreamed.

**Italy** commended the ARTF’s role in essential service delivery, public sector reform, and coordination of development financing. Italy supports the more flexible approach on sector-wide programming and increased use of incentivized results based instruments and appreciated the Country Portfolio Performance Review, in particular the government’s ownership of the process. Social impact and gender are among Italy’s priorities moving ahead, both of which are relevant to the development of a plan for supporting post-settlement development in line with commitments at the Geneva Ministerial Conference on Afghanistan. Italy hopes to see further dialogue in a more inclusive format in line with the commitments in paragraph 15 of the conference’s joint communiqué.

**Australia** expressed support for the comments of other partners. Australia particularly welcomed efforts by GoIRA and the WB on anti-corruption. It endorsed the recommendations and commitments in the PFFP Update, although with one reservation, noting that it preferred an extension of the Ad Hoc Payments facility into the early months of 2020 to enable Australia sufficient time to wind down an existing program. Australia supported the outcomes of the Country Portfolio and Performance Review. Australia is particularly interested in timely procurement, and would welcome more progress in that regard.

**Netherlands** thanked the Ministry of Finance and World Bank for their leadership on the ARTF, and offered congratulations on the Country Portfolio Performance Review, seen as a very positive process, with some valuable lessons learned; an after-action review could be helpful in that regard. As a donor with limited resources for., e.g., in-person monitoring, Netherlands views anti-corruption as particularly important, and welcomes the ACReMAP initiative. Netherlands seconded the views expressed by other partners regarding the utility of increased regularity in reporting on the outcomes of World Bank Integrity investigations.

**Sweden** Congratulated the government on progress since the PFFP was adopted, in particular on enhanced information sharing and the valuable Country Portfolio and Performance Review led by the Ministry of Finance. Addressing the systemic issues identified during that process will be a priority, and regular portfolio operational status reviews would be a natural mechanism for following up on these issues. Both strategic and operational coordination also remain priorities, and Sweden suggested focusing such discussions around key ARTF investments, such as the high visibility investments in education, health service delivery, and the Citizens’ Charter. Sweden affirmed other Steering Committee members’ comments on the importance of anti-corruption;
whilst acknowledging the progress made to date, there is room for further improvements, and the ARTF Strategy Group should continue to discuss opportunities for improvement. Planning beyond the PFFP period may involve making difficult choices in an environment of declining resources and to that end Sweden would welcome a review of the process for selecting programs based on development needs to inform planning for how the ARTF can support development priorities in the long term.

**Norway** commended the work of the ARTF partnership and expressed satisfaction with the Fund as a tool for delivery of basic services to communities. Norway was very pleased with the Country Portfolio Performance Review and considered it important that donors were invited to participate.

**Canada** appreciated progress in the first year of the PFFP, particularly around anti-corruption and strategic coordination. Looking ahead, Canada appreciated the analysis of systemic issues in the Country Portfolio Performance Review and encouraged partners to follow up on recommendations of the review. Canada looks forward to continuing to work with GoIRA and the World Bank to discuss ARTF results, including through the ARTF Scorecard. Canada prefers health and education programming in the ARTF. With respect to EQRA, it welcomes scale-up, and with respect to Sehatmandi hopes to continue engaging with MOPH on pay for performance priorities. Canada is prepared to endorse the recommendations and commitments in the PFFP Update. Although it noted its disagreement with the recommendation to close the Women’s Economic Empowerment National Priority Program project preparation grant and consolidate its activities with other ARTF-financed initiatives, Canada recognizes that other partners have differing views; accordingly it has chosen to support the recommendation.

**India** commended GoIRA for its successes, and noted that while it is not currently an ARTF donor it appreciates and is interested to contribute further to the work done by ARTF. India has been involved bilaterally and multilaterally with projects across the sectors health, education, roads, infrastructure, and concurs that sectoral coordination discussions would be very useful. India thanked outgoing World Bank Country Director Shubham Chaudhuri for his service and said it looks forward to working with GoIRA and the World Bank on ways India can contribute bilaterally through the ARTF.

The World Bank Country Director expressed appreciation for donors’ constructive comments. He asked for Steering Committee members’ endorsement of the PFFP Update’s recommendations and requested commitments. **In the absence of objection, the ARTF Steering Committee endorsed the recommendations and suggested commitments presented in the PFFP update.**

The World Bank Country Director also observed that members’ and observers’ discussion had identified some important themes to consider for the year ahead. He summarized these takeaways: implementation of ACReMAP priorities should continue. While the World Bank has taken some steps to improve the regular and proactive reporting on Integrity investigations, donors would like to see more. Follow through on the systemic issues identified in the Country Portfolio and Performance Review should be a priority, and the World Bank is very grateful to the Minister of Finance for his commitments in this regard. Finally, prioritization and financing of the future portfolio, including consideration of the feasibility and strengths and weaknesses of growth-focused initiatives and potential post-settlement initiatives, will be a focus. The World Bank team will look forward to working with partners on these issues going forward.
3) Looking Ahead to 2020 and Beyond.

Afghanistan to 2020 and Beyond – Towards Peace and Self-Reliance: The World Bank Country Director offered a presentation on planning needs for the post-PFFP period. Afghanistan faces two challenging and interlinked development imperatives: 1) accelerating the pursuit of self-reliance and realizing Afghanistan’s potential for broad-based growth; and 2) securing and sustaining a widespread peace. These dual imperatives will drive planning for the post-2020 period.

At present, grant financing underpins core state functions. If the entirety of Afghanistan’s development agenda is thought of as a structure, these basic needs (an adequate institutional and policy framework for state effectiveness and basic service delivery, infrastructure and livelihoods support) represent the structure’s ground floor. Afghanistan has committed to enhancing its self-reliance, which depends on accelerating economic growth. Initiatives to support these objectives, arising from the Growth Agenda presented to the Geneva Ministerial Conference on Afghanistan and the Afghanistan Self-Reliance Accelerator Package growth implementation plan can be thought of as the first floor of the structure. Additional priorities are expected to emerge following a peace settlement, and these can be thought of as the second floor of a structure. Base needs, the ground floor of the structure, will remain, however, and cannot be neglected if the structure is to remain sound.

Financing to address this range of needs could be met through a combination of private sector investments, grants and government revenues. Domestic revenues available to meet financing needs will depend on the security situation, the progress of reforms and economic growth generally. Higher potential economic growth following a political settlement would allow increased domestic revenue generation, reducing reliance on grants. But revenue generation differs substantially between different scenarios – without faster growth, available resources decline with increasing security sector financing needs.

Over the coming decade, and especially should there be a widespread and durable peace, Afghanistan can make significant progress towards self-reliance through enhanced focus on reforms and implementation and sustained efforts to crowd in private investment, but even by 2030, Afghanistan is likely to require exceptional levels of assistance, though much lower than currently.

Under both continued conflict and peace scenarios, aggregate civilian grant needs are slightly below current civilian grant levels. Under a continued conflict scenario, grant needs remain stable. Under a peace scenario, grant needs would be expected to rise in the immediate aftermath of a settlement and decline as progress is achieved towards self-reliance. Both scenarios depend on continued reform progress and mobilization of key growth sectors – including agriculture and extractives.

Afghanistan to 2020 and Beyond – Towards Peace and Self-Reliance The Minister of Finance appreciated close cooperation with the World Bank on the dual imperatives agenda. The government is focused on increasing domestic revenues through a systemic effort including reducing security expenditures, increasing public expenditure efficiency and aligning timing of various initiatives. Regardless of the level of conflict, the government needs to advance the self-
reliance agenda, which requires careful planning. At the Joint Coordination and Monitoring Board meeting planned for July, the government intends to present an implementation plan highlighting specific initiatives. The plan will incorporate the fight against corruption, for which the government has a strong fiscal incentive, efforts to increase revenues and to establish more effective means of aligning programs. Government will work on public-private partnerships to secure resources for financing projects that promote growth. Private sector investments are ultimately the only means to propel the economy, and for this private sector confidence is essential. A significant fiscal gap remains, and the government will therefore advocate for a 2020 pledging conference on Afghanistan. Having criteria for effective project selection (e.g. high economic returns, strategic alignment, capacity to mobilize private sector funding, implementation capacity analysis) and implementation modalities will be helpful to make the case. Partners will have a chance to review the proposed package before the Joint Coordination and Monitoring Board meeting.

Discussion The World Bank South Asia Region Vice President, building on the Minister of Finance’s comments and the earlier presentation, observed that financing requirements will remain high, and invited partners to offer observations on what will be needed to enable partners to help meet financing needs and ensure efficiency of resource allocation.

The United Kingdom (UK) observed that corruption needs to be taken seriously and must be central to partners’ efforts. The significant financing cliff faced by the government at the end of the PFFP period is complicated by fatigue in donor capitals and uncertainties among bilateral donors. Looking ahead to a possible political settlement, the donor community needs to be clear on the principles under which any development assistance can be provided to a government that includes Taliban representation. International partners will also need to reduce duplication of resources, and to improve coordination mechanisms, and should begin a discussion of the post-Transformation Decade. Progress towards self-reliance much remain a priority, but a realistic assessment of the time required to achieve that objective is needed. The prospect of peace is an enormous, and requires early preparatory work so that partners can consider and test options for continued support with capitals, with the aim of balancing service delivery, productive initiatives and progress on structural benchmarks agreed with the International Monetary Fund. In view of these complexities, the UK agrees that there may be a need for a pledging conference.

The United States of America (US) welcomes a more detailed discussion of scenarios as preparations for the July Joint Coordination and Monitoring Board meeting begin. Promoting growth and the business investment climate, and advancing policies in support of those goals will be a priority in a post-settlement environment. The public sector will also have an opportunity to rethink its role: over time as the economy grows, private sector will provide more employment and as a result requirements on the public sector, currently a main source of employment, will change. Key to this agenda is creation of employment opportunities for former fighters. Leveraging grant assistance to provide risk insurance can help to engage the private sector, but consideration will be required of the various components of risk beyond conflict, including contract enforcement, the broader regulatory framework. These factors will likewise require the Ministry of Finance to secure the capacity effectively to manage the more substantial and complex portfolio of financing that comes from a mix of public and private financing resources.
The European Union (EU) commented on the importance of dialogue about the uncertainty that handicaps economic and political actors. Partners are committed to the long-term, and are prepared to work hard to overcome the current situation, but should acknowledge that the approach over the last years is not sustainable. Ensuring long-term assistance is a priority. Positive news on elections progress may be helpful in mobilizing capitals, and better defining potential trade-offs will also assist decision making. The EU noted that discussions to date have not substantially touched on the regional dimensions of economic and political/security questions. Geography matters, and will be an important area of focus for realizing potential in Afghanistan and the region.

UNAMA observed that human capital must be considered. Access to education decreased in 2017, and 3.7 million children lack access to education today. It is very good to see a broad range of countries participating in the discussion, and it is important to continue expanding the partnership and coordination around the government’s development and growth priorities, especially in the event of a political settlement. To that end, UNAMA looks forward to working closely with partners to prepare a half-day focused discussion for the Joint Coordination and Monitoring Board meeting.

Australia observed that it would be useful to engage capitals on the discussion of Afghanistan’s opportunities and challenges during the World Bank Spring and Annual meetings.

The World Bank South Asia Region Vice President summarized the discussion by noting that it had underscored partners’ agreement on opportunities and Afghanistan’s dual development imperatives. The complexity is significant. Funding needs are likely to exceed revenue even over the next five to ten years, and there is competition for aid from other crisis situations; investments should focus on initiatives with the highest prospects for success. The ARTF is a strong partnership that can be further strengthened through focused attention on accountability, building implementation capacity, engaging the private sector and employing multiple financing instruments to leverage and stretch available resources. The regional dimension remains critical and should be more explicitly considered. A clear understanding of trade-offs is also needed as partners sequence, prioritize and balance public investments in infrastructure and growth-promoting activities with service delivery. The World Bank is prepared to assist in supporting this discussion with stakeholders who may be less familiar with the details of Afghanistan's development agenda, and also with donor capitals, using opportunities presented by the Annual and Spring meetings, or potentially Steering Committee/Strategy Group meetings outside of Kabul, to ensure partners remain updated. The Steering Committee discussion initiated a valuable conversation that will continue in different forums.

4) Conclusion.
The Minister of Finance thanked the Steering Committee for the discussion, and looked forward to continued dialogue. He observed that the ARTF partnership remains strong.