



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Agenda

Wednesday, June 24, 2020

Meeting Summary

The ARTF Strategy Group (SG) held its June 2020 monthly meeting on Wednesday, June 24. Representatives of 12 donor partners,¹ the Ministry of Finance (MOF) and the ARTF Administrator (World Bank) attended. The World Bank Country Director and Deputy Minister of Finance co-chaired the meeting.

Summary

In line with requests at its last meeting, the SG reviewed portfolio impacts of GoIRA's approved project cancellations/partial cancellations aimed at releasing funds to support the COVID-19 response. It discussed the updated design of the REACH initiative and heard updates on other projects that form elements of GoIRA's response/recovery/resilience measures reacting to the COVID-19 pandemic: Emergency Development Policy Grant, the Early Warning, Early Finance Early Action Project (ENETAWF) and the Emergency Food and Water project. The SG noted that the portfolio adjustments and new pipeline projects will be recommended to the Steering Committee for formal endorsement when it next meets (likely in July or August), but given the expedited emergency processing, the ARTF Management Committee will need to approve ARTF financing for some COVID response projects before the SC meets formally to endorse the updates. The SG discussed a Nordic+ proposal to update the ARTF Administration Agreement Standard Terms and Conditions, which SG members will consult with their capitals in July and which will be recommended to the next ARTF Steering Committee meeting, reviewed new measures being implemented under the ARTF's enhanced fiduciary control framework, and heard an update from USAID regarding a US Special Inspector General for Afghanistan Reconstruction (SIGAR) review of past audit recommendations. The WB updated SG members on upcoming transitions in the WB leadership team and provided standing Gender Working Group and ARTF financial updates. Finally, the SG congratulated Mr. Hugh Walker of DFID on the successful conclusion of his tenure in Afghanistan and wished him well in his next assignment.

1. Portfolio adjustments to support GoIRA COVID-19 response

- On June 14, MOF conveyed GoIRA's preferences for cancelling funds from current projects to support the COVID-19 response. The WB team is confirming funds availability and processing the restructurings. Some details may change as processing advances, but parameters are now largely confirmed. As requested by the SG, the WB disseminated a brief describing the impact of portfolio cancellations on current programming.
- The package envisions cancelling an estimated US\$ 335.7m in combined IDA/ARTF resources from 18 projects. This sum includes US\$ 125.08m in ARTF resources from 11 projects. The total is somewhat reduced relative to earlier presentations, which sought ambitious totals in the expectation that legal/contract considerations would prevent some

¹ Australia, Canada, Denmark, EU-EC, Germany, Italy, Japan, Netherlands, Norway, Sweden, UK, and US/USAID.

cancellations of undisbursed, but committed, funds. The total presented and approved by GoIRA reflects adjustments to avoid penalties from early contract terminations. The adjustments represent a mix of early cancellations, return of undisbursed funds, and some cancellations with the expectation to top up in out years aims to minimize impact. There will be some narrowing of scope in the portfolio.

- DM Zadran thanked donors and the WB for their support in in portfolio adjustment process. The speed and flexibility offered by the ARTF partnership has been much appreciated and highly valued as the Government prepares its response.
- An SG member who had been traveling for the last two meetings commented on the tremendous volume of work and considerable progress that had been achieved to prepare a COVID-19 response. Other comments appreciated the briefing document on portfolio impacts, in particular links to previous CPPR findings. Comments supported moving forward on an expedited basis, and acknowledged that to achieve the streamlining that some partners have encouraged, SG members may need to make compromises on individual donor priorities in the portfolio adjustment. Partners agreed to review the briefing document carefully for any major redlines and respond with comments or questions to the WB by Monday, June 29.
- Several partners noted that the brief indicates additional financing will be needed to replace funds cut from some projects. The WB clarified that most cancellations do not assume financing will be “returned” to projects. In select cases, current financing that is not expected to be disbursed in the short term will be “cancelled” to make the funds available for the COVID-19 response in the short term, and could be topped up with IDA or confirmed ARTF resources at a later date; the brief outlines implications if this measure is not taken in the future.
- In response to a question on the status of the WEE-NPP project preparation grant, which was originally targeted to be rolled into the FSP project, the team explained that it has concluded the best way forward is to partially cancel funds that will not be used and extend the project preparation grant. This will enable a small unit to stay on in the MOF to plan the follow-on program. In a recent REACH meeting, GoIRA considered repositioning the WEE NPP under MOWA; the ‘partial cancellation and extend’ approach will allow these issues to be considered while reserving FSP resources for core expenditures under that program.

The SG agreed to submit any outstanding questions about the portfolio cancellations by Monday, June 29. The WB team is working on a highly expedited basis to process project restructurings and ensure funds are available when project approvals are considered.

2. Relief Effort for Afghan Communities and Households (REACH) and Early Warning, Early Finance, Early Action (ENETAWF)

- The WB has held extensive discussions with GoIRA, including senior leadership, and substantially advanced design of the REACH emergency initiative. The WB disseminated a matrix of donor comments and an updated Project Appraisal Document before the meeting. The REACH team joined the discussion to provide updates and respond to questions. Because several SG members had asked how the Early Warning/Early Finance, Early Action (ENETAWF, or “resilience” in Dari) project relates to REACH, the ENETAWF team joined for a brief overview of the pipeline initiative ahead of their detailed briefing planned for July 1.
- There have been three high-level changes to the project design since the last SG discussion. *First*, GoIRA has moved away from the initial approach that envisioned using a private sector delivery model. GoIRA partners have now agreed to use the CDD method across the board,

including in urban areas and Kabul municipality. The WB sees this as a major adjustment that helps to mitigate risks previously discussed in the SG. *Second*, the design covers the whole country, including hard to reach districts. The team noted that in a recent discussion, H.E. President Ghani had indicated a recent USAID contribution to the World Food Programme may have been intended to provide coverage for these areas. Subsequent WB discussions with WFP indicate that the contribution is designed for regular humanitarian support rather than REACH coverage in hard to reach areas, but asked USAID also to confirm that this information aligns with its understanding. *Third*, the package of support has been increased from US\$ 40 to US\$ 50 per family. The WB understands this decision was based on feedback from community-level meetings run after the initial bread distribution pilot managed by GoIRA.

- As a result of the second and third changes, the project budget has increased from US\$ 210 to US\$300m (of which US\$200m - IDA and US\$ 100m – ARTF). The WB team noted that KfW, DFID and other partners had raised questions about cash versus in kind contributions. Assistance in rural areas will be in kind. The project team envisions some use of cash in urban areas in the first tranche, and will push for greater use of cash in urban areas in the second round subject to conditions being right. A number of donor questions revolved around gender considerations. These points are addressed in depth in annexes to the PAD.
- Comments appreciated the WB team’s rapid work and endorsed the overall approach to the design. Donors agreed to forward remaining questions and comments (including in particular on targeting women) to the project team by Monday, June 29, and expressed interest in receiving reports of the initial distribution pilots to better understand the potential implementation challenges. (The report was disseminated with the weekly email to ARTF donors that followed the meeting.)
- A comment observed that contractual relationships with facilitating partners will be critical to the success of REACH, and the WB agreed. Citizens’ Charter facilitating partners (FPs) have raised concerns about contract amendments and slow payments. The WB team continues to meet with all parties to discuss; there appear to be a mix of issues concerning FPs. The project hopes to have agreements soon on amendments, which will help release payments that have been held up for some months. Payments are not released until a vendor demonstrates that it is current on taxes. The WB has worked with MOF to develop a checklist identifying in advance which documents will be required for tax clearance, with the aim of smoothing the process. For some FPs, MOF has required documents not previously on the agreed checklist. The WB has been working with MOF to revert to the agreed list or update the list. Issues are being steadily resolved. FPs have expressed interest in participating in REACH design. There are conflict of interest regulations that prevent that type of participation until it is clear that contracts have been awarded. So the WB is working with the project team to obtain clearances for the list of participating partners (including for Kabul, not previously included in CCAP). At that point FPs could join design discussions.
- The Early Warning, Early Finance, Early Action (ENETAWF, or “resilience” in Dari) project team previewed the project design presentation they plan to offer ARTF donors on July 1. ENETAWF aims to build on the REACH response-focused project to lay a foundation for a sustainable, nation-wide shock responsive safety net delivery system, and as such forms part of the “recovery and resilience” component of GoIRA’s COVID-19 response.
- Neither REACH nor ENETAWF are formally included in the ARTF pipeline, last updated at the May 2019 Steering Committee meeting. However, in line with discussions in the SG and ARTF partner briefings, the overall PFFP objective of maximizing IDA/ARTF co-financing, and

GolRA's guidance for the COVID-19 response, the WB is advancing preparations for these projects with the aim of finalizing them shortly to support GolRA's COVID response.

The SG noted that REACH and ENETAWF would be recommended as additions to ARTF portfolio/pipeline at next Steering Committee meeting. The Management Committee will need to endorse ARTF financing for some elements of the COVID response before the Steering Committee formally convenes to update the pipeline/portfolio. GolRA and the WB thanked donors for their practicality and flexibility as the emergency response is finalized.

3. Nordic+ Proposal to Update ARTF Administration Agreement

- On behalf of the Nordic+ Group, Sweden updated the SG on an ongoing discussion regarding the ARTF Administration Agreement annex, which includes the Standard Terms and Conditions governing administration of the fund. The current Standard Terms and Conditions is based on the model form of agreement negotiated at the headquarters level in 2012. In 2016, a new model form of agreement was negotiated by WB and donor headquarters, but was designed to apply *only* to trust funds established after the 2016 model was agreed.
- While recognizing that the new model form of agreement does not apply to the ARTF, at the time that Sweden finalized its last round of pledging to the fund, the SIDA board had noted that the new model better complies with its domestic requirements than the current ARTF Standard Terms and Conditions. Norway had identified a similar concern. The WB Afghanistan team facilitated discussions with the WB headquarters to consider how these concerns might be addressed; the headquarters team agreed that on an exceptional basis and in light of the importance and longevity of the ARTF, the current agreement could be amended to incorporate select provisions/language from the 2016 model form of agreement.
- Seven provisions have been identified for updating. Sweden emphasized that the provisions are non-controversial and broadly in line both with current ARTF operations and planning for the next PFFP (as well as headquarters-level consensus on the overall model form of agreement). The Swedish team pointed donors to the summary table prepared by the WB, which clearly summarizes the proposed changes. All Nordic+ donors have reviewed the changes and confirmed their support to adopt the revisions.
- Previously, the WB has amended the Standard Terms and Conditions without the need for countersignature by donors once the ARTF Steering Committee endorses the changes. Under current guidance, that approach is no longer preferred. **Countersignature by all current and past ARTF donors will be required for amendment.** The WB can help solicit countersignatures by current and former donors with representation in Kabul and/or through Executive Director offices and embassies for SG members, with support from ARTF partners.²
- The WB explained that as a first step, SG members are asked to consult their headquarters ahead of the July SG meeting for a preliminary assessment on their ability to accept the amendments. (In addition to the summary comparison table, the meeting package included the full text of the current Standard Terms and Conditions and the full text of the proposed revision.) The amendments will then be presented to the ARTF Steering Committee for

² In the event that not all former donors are amenable to signing within a reasonable timeframe (likely by the end of the calendar year), an alternative exists that would allow only interested donors to sign up to the new agreement through establishment of an associated trust fund under the ARTF as an umbrella trust fund. This is a mechanism made possible by ongoing WBG-wide trust fund reform efforts. While it is useful as a backup, it would involve administrative and financial reporting complications in the particular case of the ARTF, so the WB team recommends first attempting to proceed with countersignatures.

endorsement. Assuming there is consensus, from there the WB will work with partners to arrange for the necessary countersignatures.

- Norway thanked the SG for the support and noted that while the proposal will require administrative effort, the amendments, focused on anti-corruption measures, reporting, and confidentiality and disclosure requirements, will benefit the SG as a whole.

The SG agreed to review the proposed updates to the ARTF Administration Agreement Standard Terms and Conditions with headquarters or other approving authorities before the July SG meeting. Amendments will be presented to the ARTF Steering Committee as part of the annual PFFP update.

4. Fiduciary Control Framework Updates

- The ARTF-financed ACRReMAP work has enabled the WB to develop an enhanced fiduciary control framework in Afghanistan. ARTF partners received a description of the framework in October 2019. ACRReMAP-supported work continues to generate insights. In-depth fiduciary reviews, systemic issues discussions in the Country Portfolio Performance Review, and individual project internal control assessments are helping identify measures that can be effective in further strengthening of the fiduciary control framework.
- Before the meeting, the WB disseminated draft implementation plans for deepening financial management and procurement controls. Some measures are already being implemented, others are being planned or considered with GoIRA. Financial Management and Procurement colleagues outlined key features of the implementation plans for SG members' awareness.
- In Financial Management, the measures aim to address four broad categories of challenges observed in ACRReMAP exercises, in particular the in-depth fiduciary reviews and internal control assessments: 1) lack of adequate documentation expenditures; 2) overreliance on cash; 3) variable compliance with rules and regulations; 4) weak follow-up and uneven project governance. The plan outlines specific measures being implemented or prepared in each area, together with medium-term capacity building initiatives. In the first half of the calendar year, all projects switched from report- to statement of expenditure-based disbursements. At the same time, an innovative pre-disbursement review by the ARTF third-party monitor was developed. The innovative approach aims to prevent the types of documentation gaps that were identified in the first in-depth fiduciary review. An online compliance management system has also been developed and will be rolled out over the remainder of the year. The system helps teams track responses to audit recommendations, again addressing a gap observed in in-depth fiduciary reviews. In Procurement, the WB is supporting a range of measures to supplement its own resources and GoIRA capacity, and is rolling out systems enhancements (including e-procurement capabilities at the National Procurement Authority), a systematic approach to training and certifying a dedicated cadre of procurement professionals, and a menu of project-specific options that will be applied based on individual project need.
- Comments thanked the WB team for the update and strongly welcomed the measures. SG members thanked the WB for transparent discussions of complex issues and commended the partnership for thoughtful dialogue that balanced attention to risks and development outcomes. Members noted that the updates would be of particular interest to capitals.

The WB agreed to keep SG members updated as roll out of enhanced controls continues.

5. USAID Update on Evaluation Process

- The ARTF team supports partners in multiple assurance, strategic review, and audit

exercises. Some are entirely internal, some are public. Recent examples have included a Canadian strategic review, a DFID internal audit, a KfW project appraisal exercise and a Finnish strategic planning exercise. When the exercise is likely to generate a public report, the WB encourages SG members to alert their Executive Director office and update the SG.

- USAID updated the SG that the US Special Inspector General for Afghanistan Reconstruction (SIGAR) has begun an evaluation to assess the status of recommendations made in SIGAR 18-42, the last performance audit of USAID's contributions to the ARTF. The evaluation has not been triggered by any incident or concern; it is required by SIGAR's legislative mandate to review USAID assistance. Currently, SIGAR targets January 2021 for the initial release of the evaluation to USAID, with publication to follow in April 2021. Timelines may be affected by COVID-19. The exercise is an opportunity to highlight important improvements in ARTF operations under the current PFFP. USAID referred SG members to a summary of measures that had been distributed with the meeting packet, which provides a useful overview of recommendations from the last performance audit and responses by the ARTF partnership.
- SIGAR is likely to be interested to interview members of the donor community and has agreed that all interviews should be arranged through the USAID donor coordination team, rather than directly by SIGAR staff. A question observed that SIGAR notes from confidential interviews conducted from past "lessons learned" research projects had been published in the Washington Post as part of the "Afghanistan Papers" series (December 2019) and asked if USAID had guidance on how confidentiality could be managed in the context of evaluation interviews. USAID noted that SIGAR had fulfilled its commitment to withhold names of interviewees even as notes were disclosed in line with US access to information requirements, and offered to discuss specific concerns as/when interviews are requested and arranged.
- USAID acknowledged that the evaluation adds additional tasks to an already full ARTF agenda. Timing of the evaluation is not within USAID's control. but the team will work with SG members to ensure a smooth process. USAID thanked the WB, the ARTF team in particular, for responsiveness and for facilitating a smooth response to initial requests for information.

6. Updates/AOB

- The WB informed SG members that Program Leaders Jane Ebinger, Yasuhiko Matsuda and Guilemette Jaffrin, together with Lead Social Development Specialist Janmejay Singh and members of the health team are due to rotate out of Afghanistan positions in the coming months. Mr. Kerali thanked the team members for their leadership and contributions, and looked forward to introducing new team members to the SG as staff positions are filled.
- The final PAD for the Emergency DPG was disseminated with the meeting materials, reflecting slight updates relative to the version disseminated on May 23. The Board date for review of IDA financing is planned for July 9. The ARTF Management Committee will meet to review ARTF financing slightly before that, with the date to be determined in the coming days. Consistent with the protocol for partner engagement during project preparation, SG members will be invited to observe the meeting. **The WB thanked ARTF donors for their flexibility in allowing preparations for the emergency projects (the Emergency DPG, REACH and the Emergency Food and Water project on which a briefing will be offered to donors the week of June 28) to be finalized. While it is unusual for project financing to be finalized before the ARTF Steering Committee formally endorses the project for the ARTF pipeline, in the emergency circumstances the procedure is acceptable and both GoIRA and the WB appreciate the SG's flexible response.**

- **Gender Working Group** – In June, the GWG discussed gender considerations of the REACH program, and discussed the draft Policy Notes overview and plans for developing the next ARTF PFFP. The GWG seeks a coherent approach to gender that clearly underscores the linkages among the PFFP, the ANPDF2 and the next mutual accountability framework. GWG members also agreed to review the draft terms of reference for an upcoming review of the last phase of third-party monitoring contracts (also reviewed by the IPWG).
- **ARTF Finances** – If all outstanding CY2020 contributions are received as indicated, the ARTF is projected to end FY 1399 with an unallocated cash balance close to US\$ 500 million for initial phases of the next PFFP period. Projections have included anticipated allocation of ARTF resources in the coming months to four projects not yet formally endorsed in the ARTF pipeline, but discussed by the SG as part of the overall response to COVID-19: Emergency DPO, REACH, Emergency Food and Water, and ENETAWF.
- **Goodbye to Hugh Walker** – The SG thanked outgoing UK DFID Country Director Hugh Walker for his contributions. Mr. Walker wished the SG success in addressing COVID-19, preparing for political and security developments, and looking ahead to a possible pledging conference. He observed that the ARTF is fundamental in working alongside government to drive a reform agenda, and stressed support for GoIRA's commitment to a more prioritized portfolio. He thanked WB staff for the work they have done in difficult circumstances. Mr. Walker's successor, Andrew McCubry, joins the team on July 2, having worked previously on the Afghanistan program. He expects to arrange introductions in the coming days.