

ARTF Strategy Group Meeting

April 19, 2017

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on April 19, 2017, and was attended by 13 donor country representatives¹ and the Ministry of Finance, and the ARTF Administrator (the World Bank). The meeting was chaired by Mr. Stephen Ndegwa (World Bank Operations Manager). The main agenda items were: (i) Discussion of the Draft 1397-1399 ARTF Financing Strategy Outline; (ii) ARTF Updates; (iii) AOB.

1. **Draft ARTF Financing Strategy Outline:** DM Naheed expressed appreciation for the initial efforts in drafting the outline of the ARTF FS. Requested feedback from the donors on specific comments they may have on the NPPs, for further discussion with the Development Councils. Focus of this meeting on ANPDF Operationalization and the NPPs.

SN highlighted 5 points: (i) the draft reflects key areas/directions highlighted during the SC and subsequent discussions with some of the donors and the government; (ii) urged SG to keep the issues in the FS at a higher strategic level and not transaction focused; (iii) urged SG to take a balanced approach on issues to be reflected in the FS on donor interests and collective interests; (iv) keep realism as we look ahead to the future keeping in mind security and other challenges in the operating environment; (v) confirm focus areas outlined in the FS, and the proposed timeline.

EU: satisfied with the draft, welcomes several initiatives including the Programmatic approach, PPP Facility, Youth initiative; Agribusiness compact.

DFID: Suggested focusing on a few areas to clarify Table on page 2, which makes it difficult to distinguish between current and new priorities; reflect on realism of the proposed timeline, especially related to pledge information, given changing financial landscape.

WB recognized this challenge, but emphasised the need to have some clarity on pledges by around July to work the ARTF FS around. Also highlighted that there is always the opportunity to update the FS on an annual basis.

Germany: Issue of balancing between infrastructure and human development sectors, and the need to ensure that the FS takes a holistic view including some of the cross cutting issues as opposed to current outline which seems to suggest a silo driven approach. Take a more complex approach to the development issues.

WB commented that the starting point is the ANPDF as the macro strategy that highlights the main areas of development. The ARTF is just one mechanism to support the government in achieving its vision. WB asked SG that a decision would need to be made on whether the ARTF FS should be used to frame overall development financing for Afghanistan or only the financing that comes through the ARTF. WB's view is to take the latter approach, and highlight the importance of the ANPDF/programmatic approaches as a tool to regulate overall development support that is provided from all sources. WB can only provide guidance on aligning individual donor's other instruments with ANPDF.

¹ Australia, Canada, Denmark, European Union, Finland, Germany, KfW, Japan, Italy, Netherlands, Norway, Sweden, Switzerland, UK, US.

MoF: Commented that it is important to see how the different mechanisms that support ANPDF complement each other (bilateral programs etc.), noting that the ARTF is one key on-budget financing mechanism.

US: Importance of highlighting the monitoring and evaluation arrangements that will support the ARTF FS; issue of balancing between Incentive Program and baseline financing? Doesn't think the ARTF FS should be the guiding document for all donor funding outside of the ARTF.

Italy: Brussels follow up – (i) issue of migration and returnees were not part of the Brussels commitments, so how will these be reflected in the FS? (ii) issue of the 50-50 split between the investment and recurrent costs- view is that there is a need to be more flexibility on this split since greater investments will result in higher recurrent costs.

Sweden: How to reflect peace and conflict resolution as cross cutting issues in the strategy similar to gender and climate change?

WB: Should the FS outline explicitly some financing towards possible issues that may arise in case of a peace resolution/breakout? In case of national peace - means entire country - would presumably be accessible and would mean pressure for more services and their financing. Including further and more explicit support for building state legitimacy e.g. in CCAP.

Government: important to distinguish between peace and security related activities such as those supported under LOTFA; might want to take a broader view/definition of peace

Swiss: Important to highlight peace building aspects as part of addressing fragility.

MoF: Alignment- main vehicle/instrument behind the ANPDF implementation will be the national budget; therefore, it is important for development partners to ensure alignment of their support and programs with the ANPDF strategic vision. Important to have alignment not just at the strategic level but also aligning in terms of approaches to avoid duplication of efforts and parallel systems. Suggest that any off-budget programs take a close look at the approaches that will be outlined in the FS as the main on-budget instrument, and ensure that they are aligning with those approaches.

EU: asked MoF to clarify how the processes of ANPDF alignment/FS development and the regular MoF development cooperation councils/portfolio review come together.

MoF: clarified that the DCDs are done on a bilateral basis, while the ANPDF alignment & ARTF support take a multi-donor approach. Will be working with the Bank and the donors to further clarify how the target of 80% alignment of donor financing will be achieved.

WB: further clarified that efforts for alignment envision two aspects: (i) screening of future new donor financing by the AMD, and then discussion and approval at the Development Councils. AMD will take a more proactive approach in the future to propose projects to donors; (ii) reviewing of active on-budget projects- look to see if projects that are young were appraised or not; and older projects will also be reviewed to see disbursement figures, those with poor disbursement would be cancelled or restructured.

Italy: asked whether the line ministries will be involved in this proposed process on the budget review?

MoF: clarified that line ministries are part of the development councils where the above discussions should take place, including proposal of projects etc. this would become part of the normal budget development processes.

WB: clarified that the Public Investment Management Facility will be developed within the MoF budget to enable funds to be provided to new projects that need to be appraised.

MoF: further stated that these discussions are at an early stage and are still evolving, and more clarity and details will be forthcoming.

WB: clarified that the final ARTF FS would outline indicative projects to be financed with the expected financing envelope. There are already several projects that are already in the pipeline e.g. EQRA, returnee support etc. which will appear likely in the zero draft. The pipeline/areas to be financed would also be refined as NPPs are further developed.

UK: is the mapping exercise for the different courses of financing against the NPPs still going to be done?

WB: the budget development process described above is the main exercise to come out with clearer information on this aspect. Could also be a useful tool for partners to see how well their off-budget support is aligned with the ANPDF/NPPs.

EU: asked whether the budget alignment processes will have an impact on the ARTF governance structures

WB: no impact is foreseen, and the ARTF governance structures would remain as they are since the broader budget alignment process is beyond the scope of the ARTF. Highlighted that there is a new opportunity for better donor coordination with suggestions such as having smaller groups of donors with particular interests forming groups with a lead donor, with those groups then coordinating with the development councils

MoF: also welcomed mechanisms for coordination between the development councils and the donors if there are issues that need to be raised.

Germany: How will the SDG's, SMA Commitments be reflected and linked in and with the FS?

MoF: clarified that the NPPs reflect the SDGs, and therefore, ARTF alignment with NPPs implies there is a connection.

Australia: would like to see further information on impact assessment as a means to justify projects that will be outlined in the FS.

WB: On the issues of social/human capital versus infrastructure, WB outlined that the Afghan population is rapidly growing, and with the added pressure of returnees there is more need for social services which are already not able to adequately cover the entire population.

Italy: felt more funding should be towards infrastructure

EU: strongly supported more ARTF funding going towards human capital given the role of non-traditional donors in financing infrastructure projects.

Germany: emphasised the importance of considering what the development impact being sought is.

Canada: stated that infrastructure related to social/human capital development can be easily justified for financing by the ARTF, while other large infrastructure could be financed by the ADB recognizing the role infrastructure investments and private sector development can play in decreasing Afghanistan's dependence on foreign development assistance.

MoF: Stressed that when there is a pool and everyone is part of it, we cannot pick and choose certain project. Requested WB to assist with the evidence to guide decisions on this question. SG members also highlighted importance of recognizing the risks involved with infrastructure projects.

WB: draft FS will outline the proportion of current ARTF finances that support infrastructure versus human capital/social development programs.

Discussion on Questions to be Resolved

1. Financial Envelope: SG agreed that pledge information would be provided by July in as much detail as each donor capital allows.
2. Expansion of Supervisory Agent- is SG willing to expand the program to more or all projects but being cognizant that there would be a cost implication. Will WB and government have capacity to deal with the issues that the SA may pick up if program expanded? SA to report deviations in terms of development impact. Could more supervision and monitoring be done by a government agency instead of the SA?
3. MA- WB raised possibility of expanding the MA role to cover the discretionary budget?
4. RCW/IW split- EU: any change to the ratio should be based on some solid evidence that government has better implementation capacity to carry out the projects that would have been previously supported through the IW. SG to come back with feedback on this point if any.
5. Balance between social and human capital- larger question that should be answered later
6. FS length- 3 years rolling strategy, that can be extended if needed
7. How to define programmatic approaches- needs separate discussion

Agreements:

- The SG were comfortable with broad directions outlined in the ARTF FS.
- The WB urged the SG to move on to the next stage of having a zero draft of the FS, as opposed to revising the outline further, and for additional questions to be raised during the next meeting.
- MoF emphasised that it's important for final findings of the ARTF external review to be reflected in the new FS, even if it means a slight delay in the proposed timeline for the FS.
- SG to send inputs on remaining questions to the WB by email
- MoF again urged donors to provide their financial pledges by June to help government with their planning.

2. ARTF Updates:

External Review- review of proposals finalised and next step in the process is to get financial proposals from the selected firm.

Scorecard- expected to be finalised by June/July- SG suggest a discussion on whether there could be a different way of reporting results other than the Scorecard, perhaps integration into the results framework of the ARTF FS.

Citizens' Charter Afghanistan Project- preparations for additional financing to the CCAP to support an emergency response to returnees was currently being prepared. The additional financing project is expected to be presented to the World Bank Executive Board of Directors for approval on June 13, 2017.