



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Meeting

Wednesday, April 4, 2018

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on April 4, 2018, and was attended by 14 donor country representatives¹, the Ministry of Finance (MOF), and the ARTF Administrator (the World Bank). The meeting was co-chaired by Mr. Shubham Chaudhuri (World Bank Country Director), and Ms. Naheed Sarabi (Deputy Minister for Policy, MOF).

Discussion

- 1) **ARTF Steering Committee Meeting.** The World Bank (WB) and the MoF updated the SG on the progress towards the ARTF Steering Committee (SC). The various pieces to inform the new ARTF Partnership Framework and Financing Program (PFFP) have mostly been clarified- including the new thematic areas/proposals to be supported; the indicative pipeline for financing with linkages to the priorities outlined in the ANPDF and the NPPs. The final aspect that is pending is confirmation by the Office of the President of the key priorities that have been tentatively identified by the MOF. The MOF noted that the existing portfolio of programs was reviewed, including programs supported through on and off budget financing, and through the government's own revenues. The programs proposed for ARTF support were identified based on this review and the ANPDF/NPP priority areas. The MOF offered to have a more detailed presentation and discussion in the next 2 weeks with the donors on how the ARTF priorities were identified. The MOF also noted that one issue they were looking at is the question of how Sector Wide Approaches could be used in the development programs. The WB informed the SG that although the 2018-2020 PFFP has not yet been finalised, some essential programs have still been developed and approved to avoid breaks in service- most notably the approval of the Sehatmandi Project on March 28th by the WB Board of Directors. In addition, the Board also approved the Digital CASA Project and the Modernization of Afghan State Owned Banks Project. In June 2018 the following programs are expected to be approved- the EQRA, Incentive Program Plus Development Policy Grant, TAGHIR, and the PPIAP (approval of the PPIAP was postponed to June 2018 to address additional environmental safeguards aspects that were recently identified). The WB noted that it is critical that the ARTF SC meeting takes place soon for endorsement of the financing program for the next 3 years, which will ensure continued availability of funds. The WB requested the partners to start making their contributions for this year to avoid the ARTF parent account running out of funds. Assuming the ARTF priorities are confirmed with the Office of the President within the next 2 weeks, the aim will be to have an ARTF SC meeting in early May.

¹ Australia, Canada, Denmark, EU, Finland, Germany, KfW, Korea, Japan, Netherlands, Norway, Sweden, Switzerland, UK, and US.



- 2) **Proposed High Level Closed Door ARTF Meeting, on the side-lines of the World Bank-IMF Spring Meetings.** The proposal by the U.S to have a high-level ARTF meeting on the side-lines of the Spring Meetings in Washington DC was discussed. The tentative meeting date is April 20, 2018 from 08:30AM to 10:00AM. The WB stated that the proposed agenda could be a briefing on the ARTF, and its' role in the overall operationalisation of the ANPDF; discussion on key ARTF programs such as Citizens' Charter Afghanistan Project. The U.S added that the meeting would be a good opportunity for ARTF donor representatives from capitals to have a discussion on ARTF priorities, pledges, and the new thematic areas proposed for support in the next 3 years. **Discussion:** Canada agreed that it would be useful to have the meeting but raised the question of whether it would undermine the role of the ARTF SC meeting. Canada suggested the discussion in Washington remain at a very high level on overall ARTF achievements, and main directions of the program without going into the details that would be planned for discussion at the ARTF SC meeting. The EU echoed this suggestion and further added that the meeting could focus on how the ARTF program aligns with the ANPDF and the NPPs. Norway suggested the meeting have a discussion on donor off-budget programming, and how this impacts ARTF programs. Germany asked which level of representation would be expected at this meeting. US clarified that this would be at the level of Deputy Assistant Administrator level and not higher than that. The UK noted that it would be important that information on the final decision on the prioritisation not be made at this meeting. Sweden noted the importance of the ARTF as an instrument to fulfil its on-budget commitment to Afghanistan, and that it would be useful for the meeting to discuss efficiency of the ARTF programs. The MOF asked donors to clarify how detailed they want the meeting discussions to be. Overall the SG agreed that the meeting should be more of a briefing and a chance to have a conversation about the ARTF program with partners based in capitals, and not a forum to make any decisions related to the ARTF. WB asked the SG to inform us within the next 2 days on the people from their capitals who may be able to attend this meeting.
- 3) **New ARTF Incentive Program Plus.** The WB informed the SG of the ongoing discussions to develop the third phase of the Incentive Program for 2018-2020 in support of the government's policy reforms. The WB noted that one innovation of the new program is a broader focus on reforms beyond just the fiscal and revenue generation, to include areas such as land, water resource management, energy etc. Funding would then be disbursed upon completion of policy benchmarks to reimburse the government's recurrent expenditures. The current draft of the Incentive Program Plus (IP+) policy matrix was shared with the SG noting that this was likely to change as discussions with the government and the IP Working Group (IPWG) were still ongoing. The next IPWG technical discussions on the new IP+ is scheduled for April 9th. **Discussion:** The MOF noted that they would be making efforts to ensure that the relevant line ministries are aware of the agreed reform actions and would be working to ensure their timely meeting. The MOF is considering having a MOU with the line ministries on their responsibility in completing these actions and potential consequences for failure to meet the benchmarks. The WB noted that there has been a concerted effort to ensure gender dimensions are well reflected in the policy benchmarks; including for instance recruitment of women into the civil service, improving access to digital finance



for women, and land ownership for women. The WB noted that there had initially been a proposal to eliminate the baseline financing under the IP+ unlike the current IP, but that internal Bank discussions were questioning whether it was the best time to do this, given the potential difficulties that might arise for government to increase revenue collection particularly with the uncertainty associated with the coming elections.

The US noted that they were planning to move the funding originally planned for their New Development Partnership (NDP) into the ARTF in support of the IP+ (approximately \$600 million), and bring the NDP to an end. The MOF noted that extra attention is being paid to ensure that the IP+ policy matrix includes only those benchmarks that the government will be able to achieve by the stated dates. The UK suggested some proposals to manage the risk related with the elimination of the baseline financing. The WB suggested that these issues be further discussed in the IPWG meetings.

Forthcoming SIGAR audit report on the ARTF. The WB informed the SG that the SIGAR audit of the ARTF that started in December 2015 has now been finalised. The draft of the final report was shared with the WB in early March 2018 for comment. The comments from the WB will be sent to SIGAR for inclusion as an annex to the final report. The date of publication of the final report is not yet known. The ARTF Strategy Group noted that they had an opportunity to review the draft report. And further noted that while they collectively agree with the substance of the report recommendations, they disagree with the title of the report which they view as a misrepresentation of its' content. The members of the ARTF Strategy Group requested SIGAR to change the title to better reflect the contents of the report, and for this point to be noted in the meeting minutes. Some members of the SG further pointed out that the report title currently refers to \$10 billion which is the entire amount contributed by donors to the ARTF, but should instead focus only on the funding contributed by the US, as other partners have their own mechanisms to monitor the funds they contribute to the ARTF.

4) AOB

- The WB introduced the representative of the Embassy of Korea, and informed the SG that Korea would be resuming contributions to the ARTF starting in 2018.
- UK requested to have an update from the WB on the changes/enhancements being made to the ARTF as outlined in the 6 proposals.
- It was agreed that the regular SG meeting will be held on April 18th with the main agenda item being a discussion on the progress in implementing the ARTF external review recommendations.