



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Meeting

Wednesday, August 15, 2018

Summary of Discussions

The ARTF Strategy Group (SG) held its monthly meeting on Wednesday, August 15, 2018. Representatives of 13 donor partners,¹ the Ministry of Finance (MOF), and the ARTF Administrator (World Bank) attended. Mr. Subham 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 meeting was shortened to accommodate a Ministry of Mines and Petroleum (MOMP) Donor Coordination meeting scheduled on the same day. In the time available, members:

- Heard an update from the Administrator on preparation of the Fiscal Stability Fund;
- Approved three proposals for use of the new ASIST Facility, with a total combined value of US\$ 7.1 million;
- Received a report that the Gender Working Group will review the draft Project Appraisal Document for the pipeline Women's Economic Empowerment Rural Development Program (WEE-RDP); and
- Received a memorandum with details of Norway's proposal (first raised in May 2018) to switch the existing ARTF Administration Agreement to the template developed in 2016 for new trust funds.

1. Fiscal Stability Fund update

- Following a request made at the July 2018 SG meeting, the Administrator updated members on preparation of the Fiscal Stability Fund (FSF). The proposed FSF, as outlined in the recently endorsed Partnership Framework and Finance Program (PFFP), is intended to establish a pool of funding GoIRA could access in the event of a liquidity shortage stemming from unexpected shocks or slower than-expected progress against policy reforms in the Incentive Program Development Policy Grant (IP-DPG), subject to certain conditions being met.
- The Administrator said that work has been ongoing since the June 25 endorsement of the PFFP, with the aim to replace the existing unconditioned baseline support in the Recurrent Cost Window with an instrument that appropriately balances the flexibility to address unexpected needs while incorporating a performance/results based orientation.

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



- The Administrator noted that SG members had voiced varying views on the structure and purpose of the FSF. Some members had initially encouraged the World Bank to continue a small amount of unconditioned baseline support. In March 2018, other partners indicated that all support should be performance-based. The effort now is to structure a package that responds to the policy priorities of both views.
- Striking the balance between incorporating both a performance/results orientation and contingent financing/insurance type of facility has somewhat complicated the selection of an instrument. An initial discussion with H.E Acting Minister of Finance Qayoumi was held last week, but a bit more time is required to work out details and discuss them with the MOF. The Administrator anticipates that the FSF would be presented for approval to the ARTF Management Committee (MC) in November 2018. The Administrator anticipates being able to offer a more detailed presentation on the design by the time of the next ARTF SG meeting.
- In response to queries, the Administrator confirmed that further discussions could also take place in the next meeting of the Incentive Program Working Group and confirmed that the FSF would start off as a one-year operation for US\$100 million. At present, the Bank expects to have the design of the next phase of the FSF covering 2019 (FY1398) and possibly 2020 (FY1399) ready by February 2019. In response to a query regarding how operations and maintenance (O&M) incentives could be reflected in the design, the Administrator noted that the existing IP-DPG includes incentives that look at the quality of O&M, and invited inputs and views on other approaches that could be reflected in the FSF.

The SG agreed to continue discussing the design of the Fiscal Stability Fund in the Strategy Group and in the Incentive Program Working Group.

2. Review of ASIST Proposals

- As agreed in July, the Administrator provided three proposals for use of the newly established Bank-executed ARTF Advisory Services, Implementation Support and Technical Assistance (ASIST) window. Two were briefly introduced at the SG's July 2018 meeting, and the third had been circulated ahead of the August 2018 meeting. The chair invited Bank staff and ministry counterparts briefly to re-introduce the proposals before opening the discussion.
- *Proposal 1: Fiscal Performance Improvement Plan Advisory Facility (FAF), US\$ 2 million for three years:* The Bank explained that FAF is designed to work in tandem with the current Fiscal Performance Improvement Support program as well as the Fiscal Performance Improvement Plan initiative. The FAF has been supporting MOF reform efforts for the last year using Bank funding. The current proposal aims to continue the existing support, and to expand and deepen its coverage. MOF observed that the support has been needed and effective. MOF has encountered difficulty ensuring that the quality of annual department plans produced under FPIP is adequate to support a structured reform process, and so continued technical assistance is needed to ensure the planning and reforms continue as envisaged. The Bank and MOF invited comments and questions, and encouraged donors supporting linked initiatives to describe their work.
- Australia observed that it is in the process of negotiating with MOF to initiate the third phase of its support for FPIP through the Institute for State Effectiveness (ISE). Australian funded ISE support will be delivered outside of Afghanistan, by making advisors available to provide remote technical assistance, and also by enabling GoIRA personnel to travel to other



locations. MOF expressed confidence that the two channels of support will continue to complement one another.

- The EU also has a facility to provide technical assistance to MOF and other ministries, and encouraged MOF to provide a list of the different channels of support on which it is relying, and how these will be coordinated. The UK observed that it would be helpful for ministries and Bank teams to report back on the progress of ASIST supported initiatives periodically. The Administrator requested the joint Bank/MOF team to provide additional information on the alignment of existing streams of assistance, and to report on this in the periodic ASIST progress reports to the SG. In response to a query from Germany, the Administrator asked bilateral partners to direct additional information on other potentially related streams of assistance to the ARTF team (wmsisha@worldbank.org; kblanchette@worldbank.org; mahmadzai@worldbank.org). Both the Bank and the MOF cautioned, however, that it can often be difficult, even for the MOF's Aid Management Department, to get full details of existing bilaterally funded initiatives, so information gathering may need to be somewhat iterative.
- In response to a query, MOF explained that it considers FPIP a programmatic initiative even though it relies on some bilateral technical assistance in addition to FAF. The recipient - executed ARTF support in this sector was previously redesigned to ensure such alignment, and the FAF complements those programs. Technical assistance can be delivered through a range of modalities, provided that government-articulated priorities have identified the need for such assistance. Germany expressed appreciation for this approach, since as a large bilateral donor it seeks to align its support and avoid duplication, which is one reason it continues to advocate for completion of the national priority programs for each sector.

The SG approved the Fiscal Performance Improvement Plan Assistance Facility proposal to use ASIST window resources.

- *Proposal 2 – Evidence for Action, US\$ 3.1 million for two years:* The Bank team explained that Evidence for Action responds to a request by the National Statistical Information Agency (NSIA, formerly the Central Statistics Organization), and will consolidate support previously provided bilaterally by the UK and the EU. It aims to support collection of statistical data, preparing NSIA to lead a recipient-executed program in the future, while also deepening the availability data to, and use of data by, line ministries. The Ministry of Economy (MoEC) will be a key focal point, but the work with line ministries will not be limited to MoEC.
- The EU and UK confirmed their support. The EU has been supporting the Afghanistan Living Conditions Survey for more than six years, and said that it welcomes the transfer to the ARTF for Bank-executed support as a transition between the previous bilateral assistance and a future program that is fully recipient-executed. It is prepared to support Evidence for Action with incremental contributions covering roughly 2/3 of the cost (2 million). The UK added that it is also prepared to support the initiative with incremental contributions (covering the remaining 1/3, or roughly 1 million), and is pleased with the level of participation and collaboration leading up to the proposal.
- NSIA thanked the EU and DFID for past support and outlined the structure of the planned survey work. NSIA is confident that it can execute surveys in the future with support from the World Bank. MoEC noted that substantial amounts of data are available to line ministries, but that usage to date has been very limited. MoEC is committed to promoting analytical capacity within ministries, in particular by using disaggregated provincial and national data to track the



Sustainable Development Goals, for which the nationalization process has been completed with support of UNDP. As with the FAF, the chair asked the Bank and government teams to ensure that they provide information on other sources of complementary technical support, now and for future progress reporting on the progress of Evidence for Action.

The SG approved the Evidence for Action proposal to use ASIST window resources.

- *Proposal 3 – Extractives Sector Asset and Institutional Development Task Force, US\$ 2.1 million for 2.5 years:* The Bank team explained that the proposal was developed out of lessons learned from engagement with MOMP since 2014. The proposal aims to build institutional capacity around specific needs rather than a conceptual approach, focusing on priority transactions for which the ministry requires specialized short-term support, and the institutional capacity building required to keep capacity on track thereafter. MOMP confirmed the alignment of the proposed ASIST technical assistance with ministry priorities. The meeting planned to follow the SG discussions (rescheduled from its original date earlier in the month) was intended to clarify the coordination of support MOMP, and would thus help respond to the types of coordination questions raised around other ASIST proposals.
- In response to questions about whether the proposal would support the Afghan Geological Survey and whether funding was sufficient to meet needs, the Bank and MOMP acknowledged the importance of institutional strengthening, and clarified that they are preparing a package of programming to that end. The ASIST proposal will complement that pipeline programming with close institutional support, in light of the important signaling value of handling priority transactions effectively. The UK noted that it is also preparing a new extractives program and is coordinating with the Bank and MOMP teams.

The SG approved the Evidence for Action proposal to use ASIST window resources.

- The UK suggested developing an indicative pipeline of ASIST proposals to ensure that the SG can prioritize limited funds to support such initiatives through incremental contributions. The Administrator noted that the three approved proposals had been identified as priority needs within the SG for some time, particularly in the context of preparing the PFFP. Concurring that a general sense of pipeline would be beneficial, the Administrator also noted that support from the ASIST facility should to some extent be prioritized according to broader institutional readiness and project availability to support key government priorities.

3. Announcements

- **Standing item – update from the ARTF Gender Working Group:** In August, the ARTF GWG reviewed the Higher Education Development Program. It had no updates for the SG regarding that discussion. On July 31, however, the GWG had convened for a special discussion of the Women’s Economic Empowerment Rural Development Project (WEE-RDP), which is under preparation. Task Team Leaders for WEE-RDP had briefed members on the project’s proposed “Component 3”, which would support private sector initiatives, and which the Bank was interested in ensuring are coordinated with, and not duplicative of, other bilaterally-funded initiatives. Some productive discussions have followed. The GWG expects to review the final WEE-RDP project appraisal document shortly before it is submitted to the ARTF MC and the IDA Board for approval. The Bank anticipates the project will be presented for approvals by the end of September.
- **ARTF Pipeline:** In addition to the FSF and WEE-RDP projects discussed above, the Bank reported that - the Education Quality Reform in Afghanistan (EQRA) will be ready for IDA and



ARTF MC approval by end September. Additional financing for the Higher Education Development Program should also be ready for ARTF MC approval by end September. TAGHIR, the follow-on project to the Capacity Building for Results, is currently targeted for delivery in November 2018.

- **Scheduling Portfolio Operational Status Reviews (POSR):** MOF and the Bank are now hoping to schedule the POSR by end-August or the first week of September. The Bank has briefed Acting Minister of Finance Qayoumi on the initiative. He has expressed his support.
- The SG offered congratulations to Mr. Richard Taylor of DFID, who was attending his last meeting after completing his tour. The SG expressed appreciation for his thoughtful and constructive contributions.

4. AOB

- Norway noted its interest in shifting the ARTF administration agreement (AA) to the 2016 template, which the Administrator had also flagged in May and July SG meetings. It distributed a memorandum outlining its interest in the change. Understanding that if a switch is to be made, it must be approved by all members, Norway will distribute the memorandum in soft copy, as well, and invites inputs on the proposal by 10 September. In response to a clarifying question from Finland, which noted that it had already been approached by Norway in Washington on the subject, the Bank SG in Kabul.