



## **ARTF Strategy Group Meeting**

**August 16, 2017**

### **Summary of Discussions**

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An ARTF Strategy Group (SG) Meeting was held on August 16, 2017, and was attended by 13 donor country representatives<sup>1</sup>, the Ministry of Finance (MoF), and the ARTF Administrator (the World Bank). The meeting was chaired by Mr. Abdoulaye Seck (World Bank Operations Manager), and was also attended by Deputy Minister of Finance, Mr. Khalid Payenda, and Ms. Annette Dixon, World Bank South Asia Regional Vice President (SARVP) and Afghanistan Acting Country Director.

The meeting agenda was open, and mainly focused around a discussion on the development challenges facing Afghanistan.

The meeting opened with remarks from the Deputy Minister of Finance, Mr. Khalid Payenda. He welcomed the SARVP to Kabul, and expressed appreciation for the cooperation and support through the ARTF, and its importance as tool for financing the development of Afghanistan.

- The SARVP opened by talking about the IDA 18 replenishment which is the largest ever in the Bank's history. IDA17 was 50 billion, compared to IDA18 which has scaled up to \$75 billion for the next 3 years, with support from traditional, non-traditional donors, as well as former and current IDA beneficiary countries.
- Some of the new policy commitments agreed under IDA 18 include gender, climate change, private sector development, and fragility, conflict and violence (FCV).
- Additional windows have been included in IDA18: (i) private sector window- which draws on the capacity of the WBG- IDA working with IFC and MIGA. IDA funding set aside to de-risk more IFC private sector investment and MIGA operations in low income countries; (ii) Crisis Window has been scaled up; (iii) Regional windows have been doubled; (iv) Refugee sub-window to support countries hosting refugees.
- The base allocation has increased for almost all countries, FCV country allocation overall has doubled. The allocation for Afghanistan has also increased from around \$600 million to \$750 million.
- Afghanistan fully utilized its IDA17 allocation, in addition to using additional funds that were unutilized by other IDA countries and regional allocations to support the Citizens Charter additional financing (AF).

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<sup>1</sup> Australia, Canada, Denmark, Finland, German KfW, Italy, EU, Japan, Netherlands, Norway, Switzerland, Sweden, UK, and US.



- Under IDA17 development policy lending was re-introduced in Afghanistan, and the Bank is now working to continue this through an adaptable development financing instrument that incorporates the design of the ARTF recurrent cost window incentive program.
- Cascade Approach- the Bank is also now looking at how to use private sector financing to support development needs following a more systematic approach.
- Staffing- the Bank is adding staff across FCV countries, including a modest increase for Afghanistan to support technical areas, and monitoring and results reporting for the ARTF.
- EU: expressed their continued support for ongoing ARTF financed programs- CCAP, agriculture, CBR, SEHAT. Also, that they expect to continue using the ad hoc payment facility to support financing to the government for SMAF indicators, returnees, and the justice sector. Encouraged further to move towards programmatic approach, as opposed to stand alone projects. Issue of how to better coordinate with other partners outside of the ARTF stakeholders- e.g. UN and others particularly in sectors where there is ARTF programming.
- Finland: raised questions on how is the Bank engaging with non-traditional donors- China, India etc. and what developments are there in terms of synchronizing programs; how does the Bank engage with donors not physically present in Kabul; issue of delivering results and issue of corruption and how to address it; how is anti-corruption approach for the ARTF developed.
- UK: welcomed news of staffing increase, and asked if the new staff could focus on results and monitoring; asked what flexibility exists in the IDA 18 financing since the situation with the next ARTF Financing Strategy is not quite clear.
- Netherlands: expressed its strong support and commitment for the ARTF, and asked where the SIGAR review stood, and requested to be kept informed and for information on the draft report to be shared as soon as its available.
- Bank: greater involvement of non-traditional donors in IDA, and increasing interest from them in jointly supporting programs together with the Bank. The Bank currently in discussions with the Indian government on further cooperation on a potential water supply project. Discussions held recently between the Bank and China on cooperation, 60% of Asian Infrastructure Investment Bank (AIIB) projects so far co-financed with the Bank. Pakistan also expressed interest in working with the Bank particularly on the Torkham-Peshawar Expressway. Bank aiming to move towards more programmatic approaches through systematic use of budget support for instance in an adaptable way. Coordination with other development partners is important, and highlighted the important role the ARTF has played in bringing aid on budget. Corruption continues to be a challenge, the Bank needs to make better use of technology to help in better monitoring of programs on the ground. SIGAR review comes at a critical time as the US budget review process is ongoing. Underscored the importance of focusing on results and their monitoring, this will be critical for sustaining support for the ARTF from various partners. Need to tell results stories as powerfully as possible, and to better coordinate development and humanitarian efforts, which is happening already with respect to returnees. Sustaining Bank engagement needs to be done in a way that can ensure safety of the staff on the ground with regards to the security situation. IDA 18



allocation is based on a performance based formula agreed with donors, and there isn't much room to adjust individual country allocations except through accessing financing from the special windows or from unused funds from other countries.

- MoF: welcomed the increase in staffing, as the Bank provides a comparative advantage that other partners may not have. Agreed with the enhanced focus on results. Expressed government's attention on economic growth and related to that private sector development, and more job creation. Roadmap to ensure the ARTF is aligned with development priorities is the ANPDF. Emphasized the need to not only focus on the ARTF as a source of financing for development priorities, but to also look at other financing sources. Noted that the MoF is currently working with the Bank to identify areas for growth and to use that to inform the budget formulation for next year's budget. Continue to work with the Bank on the next phase of PFM reforms focusing on the whole chain of public finances (Fiscal Performance Improvement Plan), and to ensure that support is provided in a way that covers all departments and not just selected one. This kind of approach is expected to yield reduced corruption as a by-product. Making the ARTF research and analysis program a more robust instrument that focuses on analytic work that addresses key national level issues for example barriers to creation of SME's, and then translating the findings into policy reforms that could be supported through the ARTF IP, or bilateral incentive programs.
- Bank again noted that IDA18 funding for Afghanistan will be frontloaded in the next few months to support programs, while the next phase of financing through the ARTF is being clarified.
- Canada- improving the coverage and functionality of the Monitoring Agents to support better results reporting. Canada committed to increasing on-budget contribution but conditioned on certain actions related to women's economic empowerment. Called for a fuller discussion with the government on the implications of moving more funds off budget to on-budget. Mentioned the importance of staffing and having at least one TTL on the ground for key programs? What is the Bank/ARTF doing in other areas aside from service delivery, for instance extractives, taxation etc. to support longer term fiscal sustainability?
- Bank: Brussels work highlighted several areas critical for growth including the mining sector as a source of revenue for the future, and the importance of investing in human capital development. Additional staff position in Kabul includes a new Program Leader for human development to support the technical teams. ARTF programs follow same gender approach as all other Bank financed programs, new initiatives to ensure all new programs are gender informed, and implementation of country specific gender briefs. Agreed that a discussion is needed on the issue of off-budget and on-budget in the coming months.
- Sweden: called for more discussion on peace building and conflict prevention in the development arena. Sees scope for the ARTF to do more in this area, through looking opportunities to use ARTF programs to support local peace building efforts. Also, highlighted the need to examine the areas where the ARTF is realistically able to implement programs given the changing security situation.
- Bank mentioned the importance of having a land law in place as an important aspect of conflict prevention efforts. Also, mentioned a discussion that will be held with the



government to design the next operation to support livelihoods for returnees, and looking at the role the private sector can play in supporting SMEs for returnees in areas with a large influx of returnees.

- Australia: focus on staffing and results important.
- Norway: joint efforts needed to ensure the recommendations from the supervisory agent's monitoring reports are implemented by the line ministries.