

ARTF Strategy Group Meeting

December 13, 2016

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on December 13, 2016, and was attended by 13 donor country representatives¹, the Ministry of Finance (MoF), and the ARTF Administrator (the World Bank). The meeting was chaired by Mr. Stephen Ndegwa (World Bank Operations Manager). The agenda items were: (i) ARTF Portfolio Update – 1395 Deliverables and Performance; (ii) Other Updates; (iii) ARTF role in ANPDF operationalization – update from Government & World Bank; (iv) AOB.

1. **ARTF Portfolio Update – 1395 Deliverables and Performance:** the Administrator briefed the SG on portfolio highlights for Fiscal Year (FY) 1395. Specifically- *Investment Window*: (a) the approval of 11 out of the 16 projects (including 2 project preparation grants [PPGs]) by the ARTF Management Committee (MC) to date, including the Citizens Charters Afghanistan Project; (b) \$57.2 million additional financing to the NSP III maintenance cash grants scheme was approved in June 2016, in response to the Jobs for Peace Initiative. Funding was provided by the UK- \$22.2 million and \$35 million from the U.S; (c) two pipeline projects pending approval of the MC in the coming month- Labour Mobility & Contracting PPG, and Additional Financing (AF) to the Afghanistan Rural Access Project (ARAP); (d) restructuring of two projects- CBR and the Second Judicial Reform Project with partial cancellation of funds; and recent approval of the EQUIP II closing date extension from December 31, 2016 to December 31, 2017; *Recurrent Cost Window (RCW)*: (e) total of \$341.36 million disbursed under the RCW in 1395, including \$100 million baseline financing, Ad Hoc Payments of \$80.66 million, and Incentive Program (IP) payments of \$160.7 million. An additional \$83.5 million expected to be disbursed before the end of the fiscal year, pending recommendation of the IP technical review meeting planned for December 15th, 2016; *Research and Analysis Program (RAP)*: the RAP Committee approved funding for 8 studies amounting to \$3.47 million, including for the Navigating Risks and Uncertainty Study, which provided critical analysis underpinning the successful Brussels Conference on Afghanistan.
2. The SG sought clarification on some areas including: (a) the preparation process of the next basic education project, where initial discussions between the Government and the Bank have started, but the formal Bank project preparation process is yet to start; (b) ongoing discussions between the Government and donors on potential funding, and payment modality for the 415 incomplete schools. Approximately \$6.3 million needed for completion of civil works. A note with possible options for resolving is under internal Bank review. It was agreed that the SG would be kept informed as agreement is reached to resolve the situation; (c) CBR restructuring- the Administrator clarified the background to the restructuring, with improved project performance noted since then; (d) the Administrator reminded the SG that project disbursement data is provided in the monthly ARTF financial status reports, and in the project implementation status & results reports. It was agreed that the Administrator working together with the Government would provide project

¹ Australia, Canada, Denmark, European Union, Finland, Germany, Italy, Japan, the Netherlands, Norway, Switzerland, United Kingdom, USAID via videoconference.

disbursement projections once or twice a year during portfolio updates to the SG; (e) the additional \$5 million for the ARAP AF would be to finance an engineering feasibility study for the proposed Peshawar-Torkham-Jalalabad Expressway, and this was not part of the ARTF RAP.

3. Other Updates:

- (a) *ARTF External Review Terms of Reference (ToR)*: the Administrator and the MoF informed the SG that final agreement had been reached on the ToR. The MoF would send the final version to the Bank by the end of the week, for further sharing with the SG. The tendering process would be expected to be launched shortly after this. The ToR includes an estimated timeline for completion of key steps of the Review, including the selection process. The composition of the proposed Advisory Group for the Review would be discussed in early 2017.
- (b) *Forensic Audit*: the draft ToR for the audit has been jointly finalised by the MoF and the Bank, with inputs from the Bank's Integrity Vice Presidency. The ToR is under internal review in the MoF, and once approved by the Minister, the Government would share it with the ARTF donors. It was clarified that the audit would be financed by the Government, and the firm would be selected following a competitive process. Also that the audit would only cover the civil operating budget and not LOTFA.
- (c) *Steering Committee*: the Administrator is discussing possible dates for a Steering Committee meeting with the Minister of Finance. A meeting will likely be held at the end of January, 2017. The SG was invited to send possible agenda items to the World Bank and MoF.

4. ARTF role in ANPDF operationalization – update from Government & World Bank: The MoF and Administrator briefed the SG on the ongoing discussions on operationalizing the Afghanistan National Peace & Development Framework (ANPDF), including how to best align the national budget to it. Also how the ARTF, given its role as the main vehicle of on-budget financing, can be best aligned with the ANPDF, and support its operationalization. Given the limited fiscal space available, it would be important to outline and cost the ANPDF and national priority programs (NPPs). The MoF is currently working with line ministries on expenditure of budgets to support the ANPDF and NPPs. The MoF would also soon start an exercise to review the quality, performance, and relevance of on-and off-budget portfolio, including the ARTF, and to see where activities could be restructured or cancelled. The MoF would also undertake a mid-term review of the budget in May/June 2017, and are aiming to have at least 80% of the 2018 budget aligned with ANPDF as agreed in the SMAF Results Matrix. The ARTF donors urged the Government to the extent possible use data from the 2016 development cooperation dialogues for the planned portfolio review.

5. AOB: the 2016 ARTF Scorecard draft is almost finalised and will be undergoing an internal Bank review process before being released.