

ARTF Strategy Group Meeting

February 22, 2017

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on February 22, 2017, and was attended by 14 donor country representatives¹, the Ministry of Finance, and the ARTF Administrator (the World Bank). UNAMA attended as an observer. The meeting was chaired by Mr. Stephen Ndegwa (World Bank Operations Manager). The main agenda items were: (i) ARTF Steering Committee Meeting Agenda; (ii) Fiscal Performance Improvement Plan (FPIP); (iii) AOB.

Summary of Discussion:

1. Discussion on the ARTF Steering Committee Meeting Agenda

- a. The World Bank Country Director Mr. Shubham Chaudhuri gave a summary of key areas discussed with the Minister of Finance and his team so far with respect to the proposed March 6th Steering Committee (SC) meeting. The overall aims of the SC are to set the stage for supporting the government in operationalizing the ANPDF. The preliminary SC meeting draft agenda proposes to focus on three main areas: taking stock of where things are; looking to the future and support to the ANPDF; and strengthening anti-corruption efforts. Support to the ANPDF operationalization will involve aligning with the government's priorities and budget. SC discussion to focus on the process on how this will be done, as well as the outcomes we would like to see over the next few years. Important to realise synergies between various sources of financing- domestic revenue, on budget, off budget, and private capital, and think of how to best leverage this. Important to nest the next ARTF Financing Strategy (FS) within the broader financing context. Would aim to have a draft FS by September 2017, and have it endorsed by the SC by the end of this calendar year.
- b. MoF requested the SG to confirm their Ambassadors attendance by March 1st, 2017. Also highlighted the importance for MoF to receive information on what are the intended amounts off and on-budget financing; clarity on process, and how we will work to define and align with key government priorities. Plans for the financing that will come from the ARTF for 2018 and onwards would also be important to clarify.
- c. **ARTF Cash Flow Status:** The Administrator circulated tables showing current contributions paid in by donors versus pledges made for 2015-2018. Total pledges to the ARTF for 2015-18-excluding the ad hoc payment mechanism were \$2.4 billion whereas contributions paid in to date amount to \$1.4 billion. Given that several projects are in the pipeline for 2017 (e.g., EQRA) it will be critical to understand what the contributions levels will be in the next 3 years. Also important to keep in mind the existing commitments for certain projects in the next FS e.g., Citizens Charter (\$300 million), and Capacity Building for Results (CBR), which together roughly amount to \$500 million. The discretionary fiscal space around which the government can plan for the next few years is limited, making prioritization even

¹ Australia, Canada, European Union, Finland, Germany, KfW, Japan, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom, USAID, UNAMA as observer.

more critical. The Administrator would like to provide an indicative idea of donor contributions from 2018 onwards at the SC meeting. Cannot prepare a pipeline through the ARTF as a platform for government support unless the Administrator has some degree of certainty regarding the financing envelope. As it stands, we need to make sure there are adequate contributions coming in this calendar year to cover the projected commitments.

- d. **Summary of questions:** **UK:** will the Attorney General (AG) still present at the SC? **WB:** it would be useful to have feedback from donors on whether they want another presentation from AG Office (AGO), or prefer more of a Q&A session. WB requested SG members to send in some questions that they would want AGO to focus on, to guide his preparation for the meeting; **Germany:** suggest AGO focuses on how their response to corruption complements what the Bank does with respect to monitoring and prevention efforts in the programs we support; **Norway:** can AGO specifically speak to what they are doing regarding the recent Ministry Education allegations; **U.S:** ARTF Trustee report to also include updates on Scorecard, annual report, and monitoring agent reports; **EU:** How will the ARTF external review feed into the next ARTF FS. **WB:** expectation is that the main outlines of lessons and recommendations from the review will be available by the summer, and those will be reflected in the next FS; **Australia:** send trustee report to SG a week before SC to share with their capitals; suggest the proposed agenda be shortened to one and a half hours; **WB:** clarified that the point of agreeing to a clear process and timeline for ANPDF operationalizing is to ensure that government and all stakeholders are clear on how priorities will be reached, and to get the high level commitment from the SC; **Germany:** compress the agenda to allow for comments, and discussion between the ambassadors; **WB:** welcomes suggestions on fine-tuning the proposed presentations to the SC; **UK:** Suggest that for the future the SG prepare a standard report from SG to inform the future quarterly SC meetings on portfolio etc. Can the issue of how ARTF will support migration/returnees be added to the SC agenda? **WB:** agreed that the migration issue would be presented as part of the trustee report to the SC; **Sweden:** will government be ready with all the NPPs, and which of those aside from Citizens Charter (CC) will be supported by the ARTF? **MoF:** NPP list indicative, there is an ongoing internal government process to breakdown NPPs into investment programs and reforms; **WB:** Would like to have clear picture of on-off budget support to different programs/sectors so it is apparent where the ARTF support fits into the broader picture. FS can be revised annually to reflect new programs in support of the NPPs; **EU:** Ambassadors will be more interested in the political and policy dialogue- government reforms/issues that require political will to happen- that needs to accompany the technical discussions/activities that World Bank is engaged in supporting the government. Be mindful that some issues have already been discussed at 5+3+3, so avoid repeating the same issues; **MoF-** part of Minister's economic update will also talk about reforms that the government will be embarking on; **WB:** while some issues have been addressed in other fora, the SC is the ARTF's main decision making body with respect to the strategic directions of the ARTF. Clarify that we are requesting the SC to endorse the process the ARTF will follow in supporting the government reforms; **Canada:** requested the Administrator to distribute the package of documents to the SC at least 3-4 days before the

meeting; **Germany:** SC should only focus on the higher level political dimensions and less on the technical issues. Meeting should focus on giving the Ambassadors clarity on what the ARTF's role in Afghanistan's development is, and that the ARTF cannot support all development needs; **WB:** can approach the SC meeting differently- what are the issues the SG feels the SC should focus on or broaden the discussion to focus on how the ARTF will support the ANPDF; **UK:** can ARTF FS match the 5-year period of the ANPDF instead of having it to be 3 years; **WB:** SC and government can discuss this issue at the meeting, and decide whether the FS will be a 3 or 5-year FS based on what donors can commit to. If SG ready to recommend a proposal to the SC to have the FS cover a 5-year period, then the recommendation can be tabled for the SC's endorsement. There was no consensus from the SG on tabling this recommendation. Agreement to continue with a 3-year FS for the time being; **UK:** suggested the SG reviews how the March 6 SC meeting went- what worked well, and what didn't work well, and can change approach for the next quarter's SC meeting. **MoF-** government seeking political support for donors to continue supporting ARTF, so that it can further support the ANPDF.

- e. **Agreement:** SG will send specific suggestions to the WB by email including questions for the AGO's discussion; WB will aim to share materials for the SC in advance of the meeting.

2. Update on the Fiscal Performance Improvement Plan (FPIP)

- a. **Summary of FPIP:** World Bank team supporting the FPIP co-led by Claudia Nassif and Paul Welton presented a brief summary of the FPIP. The FPIP is a plan on how the government wants to achieve the PFM Roadmap. Aims to change the current culture in MoF to one that is strong on performance management, and performance budgeting. The unique aspect is that FPIP focuses on institutional reforms in MoF, and how these changes will support this new performance culture. MoF is now divided into teams that develop 5 year rolling work plans that are reviewed bi-annually by MoF's management team. Includes an external validation process. The FPIP implementation started in 2016, with the first annual review just completed.
- b. **Challenges/areas of concern noted by MoF:** (i) assistance being provided by partners is selective, with some areas being neglected; (ii) coordination costs across various sources of assistance are high- conflicting advice from different donors, or same donor with different programs; (iii) counter-productive governance structures; (iv) parallel structures that accompany off-budget technical assistance; (v) limited flexibility to respond to emerging priorities of the government; (vi) existing scope for flexibility remains limited.
- c. Government has requested the WB's support to move towards an FPIP-wide facility. Proposed WB Programmatic Approach proposes three main modalities: (i) FPIP Advisory Facility; (ii) Fiscal Performance Improvement Support Program (FPISP)-collapsing current investment projects at MoF into one broader program- next phase of the PFMR project- will be more flexible, have whole of MoF as beneficiary department, and will include elements of performance linked disbursement; (iii) Incentive Program (IP) Plus- revamp the IP, preparation process of the new IP will start in May 2017 for 2018-2020- clear linkage between IP benchmarks and the

FPIP. Will have discussion with MoF Budget Department to see which parts of the work plans will be financed from the investment project or MoF budget. Aim to launch FPISP in June 2017. Outstanding issues: (i) How to consolidate different donor working groups into one or two to better support the FPIP; (ii) what boundaries for the programmatic approach will look like.

- d. **Questions: U.K:** Financing- ARTF financing for the FPIP? What will be the role of different advisors in MoF? Provincial budgeting issues? Timeline to discuss donor coordination with government and the donors?
- e. **Agreements:** It was agreed that further discussions will be held between MoF, the WB, and donors as the FPIP support evolves.

3. AOB:

Summary of February 2017 updates to the SG:

- a. ARTF Flexibility Documents Status- **discussion closed, final documents sent to the SG last week.**
- b. Procurement status of the ARTF External Review- **the procurement process has been initiated as outlined below:**
 - REOI published February 13, 2017
 - RFP: estimate March 1st
 - Deadline to submit proposals- estimate March 31
 - Evaluation and selection: estimate by mid-April
 - Consultant's signing of contract (estimated, mid-late April, 2017)
 - Consultant's submission and the Bank's and Government's acceptance of the Inception Report (estimated, May, 2017)
 - the Consultant's submission and the Bank's and Government's acceptance of the Interim Review Report (estimated, June 2017)
 - Consultant submission and the Bank's and Government's acceptance of the Final Report (estimated, August 2017)
- c. Update on the current cash flow/balance of the ARTF under the existing FS- **cash flow and status tables sent to the SG prior to the meeting.**
- d. Potential inclusion/creation during the SC of an ARTF Operational Group comprised of technical experts, or in parallel with the SG, for reviewing on a quarterly basis those projects that have been identified as under-performing- **As agreed at an earlier SG meeting, there will be one SG meeting every quarter focusing on the portfolio, so that the discussions on problem projects includes all donors.**
- e. Latest Quarterly Report from the MA for Oct. to Dec. 2016- **draft ready, will be shared with SG by next week.**
- f. Update on the Forensic Audit of the salary discrepancies- **MoF has sent the terms of reference to the National Procurement Authority (NPA) for advertising.**
- g. Update on EQUIP's incomplete schools- **MoF informed the SG that the government has internally reached a decision that will soon be communicated to the Bank and SG.**