

ARTF Strategy Group Meeting

January 25, 2017

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on January 25, 2017, 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) Update on External Review of ARTF – including any final guidance from the SG; (ii) Thinking Ahead on the ARTF Financing Strategy, and Alignment to/Implementation of the Afghanistan National Peace and Development Framework (ANPDF); (iii) AOB

- 1. Update on Ministry of Education (MoE) corruption allegations:** Due to recent queries from ARTF donors, based on their capitals' urgent requests for information, the meeting opened with an additional agenda item on this topic. The Administrator informed the SG that the matter had been referred to the World Bank's Integrity Vice Presidency (INT) for further action, and the country management unit would request and communicate a timeline from INT, with the understanding that investigative agencies may not be able to provide a firm timeline; (b) the Administrator will also send information in the next two weeks to the SG on other recently concluded investigations and the recommended sanctions, if any; (c) the Administrator reported the issue was discussed with the Minister of Finance, who reiterated the government takes these allegations seriously and committed to inviting the Attorney General to the ARTF Steering Committee meeting tentatively planned for February, 2017 for further discussion of the government's anti-corruption efforts; (d) the Administrator is planning a session in the next few months with the INT Fraud Prevention Unit to have an in-depth discussion with the SG on the World Bank's approach to fraud and corruption, and investigations of corruption allegations; (e) in the case of the MoE allegations, if allegations are found true the Government of Afghanistan will have to refund any misused project funds to the World Bank; (f) the Administrator also updated the SG that the ToR for the payroll forensic audit was finalised in the last few weeks, with the procurement process pending. The Administrator will request the government to include examination of payroll for some project implementing units (PIUs) staff; (g) the Administrator also clarified that there will be an implementation support mission planned for EQUIP II within the next quarter, and this will include in-depth procurement and financial management reviews. Moreover, the project financial audit by the Supreme Audit Office for 1395 (2016) will be due by June 2017, and the summary of audit findings for 1394 (2015) will be shared with the ARTF donors in February, 2017; (h) The Ministry of Finance informed the SG that the Attorney General's Office will be undertaking an investigation into the MoE allegations, and actions to be taken will depend on the findings. SG members requested the government to proactively communicate with donors on the matter. Some SG members requested to have discussions with interested donors on aspects of the "Corruption Frequently Asked Questions" that was shared with donors a few months ago. Some SG members suggested a discussion on how supervision/monitoring and evaluation

¹ Australia, Canada, European Union, Finland, Germany, KfW, Italy, Japan, Norway, Switzerland, United Kingdom, USAID.

for the next phase of the basic education project would be done, and an update on the '415 incomplete schools'. The Administrator noted that the SG will have an opportunity to discuss the design and fiduciary safeguards of the next basic education project. This will be scheduled in February/March. The current status of the '415 incomplete schools' remains that the Government needs to finance the remaining works at these schools from its own funds. Willing bilateral partners may use the ARTF Ad Hoc Payment window to provide funds to this effort. EQUIP cannot be used for this purpose. (The Bank will issue an updated brief to SG members on this issue.) However, the ARTF Supervisory Agent could monitor these schools to confirm completion of the works, and also compliance with environmental safeguards. However, no SG member is at present able to support the completion of these schools through bilateral funds.

2. **Update on External Review of ARTF:** The Government opened with a comment on the ARTF External Review Terms of Reference (ToR), stating the ToR was reviewed by the MoF leadership, and final approval provided by the Minister at the end of December, 2016. The MoF confirmed their satisfaction with the final version of the ToR, and urged a start to the review process so that the findings of the review should inform the next ARTF Financing Strategy from 2018 onwards. The MoF suggested that unless the SG had major issues to raise, it would be preferable to now proceed with the procurement process. The UK raised the issue of reviewing the World Bank staffing as part of the External Review, and explicit mention of the review of the ARTF Financing Strategy (FS), and Scorecard, and also to have two donor representatives on the Contact Group instead of just one. Australia asked whether the Bank's and IEG reviews of staffing and the project ratings would be ready in time to input into the final Review Report.

Several SG members supported proceeding with the ToR as they were, in order to avoid further delays in initiating the review. MoF questioned logic of adding an extra donor to the proposed Contact Group, since the SG will be actively involved in the review process. The Administrator confirmed that the review process will be inclusive including discussions on all draft reports at the SG, and the final report at the Steering Committee. The inception report will be an early opportunity for the SG to provide their feedback and comments on the proposed direction of the review, and make adjustments as needed. Clarification was also provided by the Administrator that the intention is to have the Contact Group comprised of global experts on fragility, conflict, and violence and trust funds, in order to enrich the content of the review process and findings. In response to SG urgings for quick progress to the review launch, the Administrator polled for broad guidance on the possible use of a single-source contract with the firm that did the previous reviews, as permitted under World Bank procurement guidelines applicable in this case. SG members requested additional information in the event this would be the path selected.

Agreements: It was agreed that: (i) the Administrator will proceed with the procurement process for the external review firm; (ii) an additional donor representative will be added to the proposed Contact Group; and (iii) the Administrator would provide additional details to the SG on the process and timing for undertaking the staffing, and project rating reviews as stated in the ToR.

3. **Thinking Ahead on the ARTF FS and Alignment to/Implementation of ANPDF:** The MoF, and the Administrator informed the SG that the tentative meeting of the next ARTF Steering Committee (SC) meeting would be mid-February. One of the main SC agenda items would be to discuss the broad directions, and process of developing the next FS.

4. **AOB:** (i) Agreement to have ARTF SG meetings in the afternoons of the third Wednesday of every month. The Administrator would send an email to the SG on the second Wednesday of every month requesting suggestions for possible agenda items. Items requiring longer discussion, to be proposed with enough lead time. (ii) Agreement that SG members would send formal email notification to the Administrator on outgoing and incoming ARTF donor representatives, and handover of responsibilities. Also that new donor partners would attend the series of introductory ARTF sessions.