

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Strategy Group Meeting

Thursday, July 26, 2018

Summary of Discussions

The ARTF Strategy Group (SG) held its monthly meeting on Thursday, July 26, 2018.¹ Representatives of 12 donor partners,² the Ministry of Finance, and the ARTF Administrator (World Bank) attended. Mr. Abdoulaye Seck, World Bank Operations Manager, and Mr. Aman Farahi, Director General of Policy for the Ministry of Finance, co-chaired.

Summary:

In the first SG meeting following the Steering Committee's (SC) endorsement of the Partnership Framework and Financing Program for 2018-2020 (PFFP), the SG considered three topics related to PFFP implementation. Members:

- Approved guidelines for use of the newly established ASIST window;
- Expressed interest in joining Portfolio Operational Status Review (POSR) meetings;
- Agreed that a calendar of SG agenda topics would be beneficial;
- Received a report that the Gender Working Group had raised no points for discussion by the SG in July; discussed updates on the Administrator's Anti-Corruption and Results Monitoring Action Plan and the ARTF Scorecard, and offered thanks to departing member Galal-Eldien Ali, Head of Cooperation, Canada.

1. ASIST Guidelines

- The Bank informed members that since the June 25 endorsement of the PFFP, which approved a new Bank-executed ARTF window for Advisory Services, Implementation Support and Technical Assistance (ASIST), the ASIST window had been established as a child trust fund, the ARTF Management Committee had approved an initial allocation of funds to the window, draft guidelines for developing proposals had been developed and disseminated to technical teams, and two teams had submitted initial proposals. SG members were asked to review and approve the guidelines.
- Discussion expressed appreciation for the guidelines content, and in particular for the opportunity SG members will have to review proposals. Comments suggested 1) clarifying that consultation with relevant bilateral donors (e.g., those already involved in a given sector) is also expected *prior* to SG review, while a proposal is being developed; 2) ensuring that the list of eligible expenditures remains consistent so that the window is not seen as a way to cover expenses that not allowed under other modalities.
- Discussion considered how ASIST relates to plans for gradual phase-out of PMUs/PIUs and reduced reliance on NTAs. MOF explained that given reduced fiscal space and the high cost of NTAs, transitioning away from the current reliance on NTAs is a priority. ASIST facility is

¹ The ARTF Strategy Group regularly meets on the third Wednesday of the month. The July 2018 meeting was re-scheduled to the last Thursday of the month because the 22nd meeting of the Joint Coordination and Monitoring Board was scheduled on July 18, conflicting with the regular Strategy Group meeting date..

² Australia, Canada, Denmark, European Union, Finland, Germany, Japan, KfW, South Korea, Sweden, United Kingdom, United States.



not intended as a substitute for NTAs, but rather aims to ease the transition in priority sectors that can benefit from longer-term access to specialized expertise. The SG agreed that it would be useful to discuss the number, size and location of PMUs/PIUs (and NTAs) at future meetings so as to track progress on the longer-term effort to reduce reliance on NTAs. The Bank noted that a discussion has also been initiated in connection with Taghir preparation to consider civil service costing.

- The Bank offered brief overviews of two ASIST proposals that the SG will likely be asked to consider in August. The first will continue and expand advisory support to the Fiscal Performance Improvement Plan (FPIP). The proposal is expected to supplement existing implementation support with support for FPIP annual planning processes. The second will consolidate existing EU, DFID, and World Bank support for the Central Statistics Organization, now called the National Statistics and Information Authority, and envisions engagement both with NSIA and with line ministries to promote effective use of NSIA data.
 - MOF commented that it is keen to advance FPIP support. Australia observed that it has renewed its agreement with the Institute for State Effectiveness for two years, and would be glad to further discuss coordination.
 - The EU commented that it is pleased support for statistical work is being consolidated under ARTF/ASIST, and encouraged continued collaboration with the UN/UNDP around Sustainable Development Goals reporting.

The SG approved the ASIST Guidelines.

2. Status of Portfolio Operational Status Reviews (POSRs)

- The Bank and MOF explained that while substantial preparatory work on the POSRs has been completed, final scheduling of the actual portfolio reviews has been challenging, owing to travel and other scheduling conflicts. Commitment by MOF remains very high, despite the challenges, and meetings are now targeted for some point in August.
- Bank teams have developed a list of “bottlenecks” affecting project implementation, and have reviewed them with MOF officials over a series of meetings. In some cases, initial discussions were sufficient to identify a solution. The list of bottlenecks was shared with SG members (current as of about a week before the SG meeting), and the Bank explained that highlighted issues are those on which discussion is planned during the upcoming POSRs. Issues that are on the lists but not highlighted are legitimate, but at present do not require engaging the MOF. Updates and status information will be refreshed ahead of the POSR meetings, and sent to line ministries about a week ahead of the scheduled time.
 - A comment observed that a factor in selecting projects/bottlenecks for discussion at the POSRs should be the number of people affected by project delays, so that, e.g., Sehatmandi and EQUIP/EQRA should be prioritized when there are identified bottlenecks that have not been resolved. The Bank and MOF concurred.
 - During a recent Incentive Program Working Group, definitional concerns had been flagged as a potential challenge for IP-DPG implementation. A comment encouraged that the POSR process should reflect/address IP-DPG bottlenecks.
- Apart from various project-specific issues, most bottlenecks fall into four broad categories:
 - Procurement delays and challenges;



- Lack of prioritization of safeguards considerations/lack of capacity to address;
- Difficulties with inter-ministerial coordination;
- Ensuring appropriate links between project plans and budget cycles.
- MOF commented that operational considerations, including the POSR, are a key priority for the Acting Minister of Finance. The POSR process also aligns with other budget initiatives. During the budget review, for example, MOF teams met with line ministries and held project-specific discussions. Next year, it would be beneficial to align the POSRs with the mid-year budget review and plans for the end-of-year budget committee meetings.
- POSR plans envision that both MOF and relevant line ministries will join the meetings. One suggestion noted that Development Cooperation Dialogues have been a missed opportunity to promote coordination discussions with greater sectoral focus, as line ministry participation is minimal. Moving ahead, it might be possible to think about scheduling POSRs in a manner that would facilitate sectoral coordination discussions.
- While acknowledging that POSRS are not expected to identify projects for possible cancellation, the EU noted that it was reassuring to see that none of the bottlenecks identified at this stage were of the type likely to lead to a cancellation recommendation, as cancellations create administrative challenges for the EU and Japan.
- Queries asked for follow-up discussions on some of the school construction and land administration issues highlighted in the bottlenecks table.

The SG re-confirmed members' interest to join POSR meetings when possible (though meetings will be scheduled at MOF at times convenient for GoIRA officials).

3. Forward calendar of SG meeting topics

- The ARTF Gender Working Group has found it helpful to have an indicative timeline of discussion topics established in advance. The Bank proposed a similar initiative for the SG. A notional sample was provided to SG members to prompt discussion. Comments:
 - Requested a discussion of FSF planning in August;
 - Encouraged that forward planning for the next Scorecard and Scorecard results be separated into two discussions, and noted that Scorecard results could also be addressed in a separate workshop;
 - Supported plans for SWAP discussions as soon as possible, and queried if at least one could be completed ahead of the Geneva Ministerial Conference;
 - Encouraged substantive discussion of NTAs/PMU/PIU planning, although noting that it was less urgent to address before the GMC;
 - Requested an IP-DPG discussion around December;

The SG adopted the forward calendar of agenda topics (with suggestions cited above) as a working guide. The calendar can be adjusted to reflect evolving events, and additional input from members will be welcomed.

4. ARTF Administration Agreement



- **Discussion deferred.** The Bank noted that Norway had expressed interest (from capital) in adopting a new administration agreement for the ARTF, modeled on the most recent standard form. The meeting had planned to discuss the process for a prospective amendment. Because HQ legal advice was still pending, the topic was deferred.

5. Announcements

- No discussion points requested by ARTF Gender Working Group.
- Scorecard in process, one benefit of delay has been the ability to update “pillar 1” with newly released ALCS data.
- Bank thanked donors for endorsing the Anti-corruption and Results Monitoring Action Plan (ACreMAP) in the PFFP, and provided an update on ACreMAP activities, including the expansion of employee verification through enhanced coordination between Supervisory and Monitoring agents. The Bank offered methodological explanations of the verification process and reminded the SG that the expanded sample (which showed low rates of verification) was not representative of the civil service as a whole, being primarily in hard to reach areas where non-presence could be the product of a variety of factors. Noting that the vast majority of non-verifications are in the education sector, the Bank updated on the systemic measures being implemented to address outstanding issues, and agreed that it could be beneficial to establish dialogue around specific instances of non-verification. In response to a query, the Bank noted that the fiduciary review of the education sector had been delayed by slow data production, which had improved after the Bank raised concerns with the Minister of Education.
 - The Ministry of Finance observed that employee verification issues and delays on fiduciary reviews would also be good topics for discussion in the POSR.
- Visit by newly appointed WB Regional Vice President for South Asia Region, Mr. Hartwig Schafer announced.
- SG expressed congratulations to Canadian Head of Cooperation Mr. Galal Eldien Ali, who was attending his last meeting of the group after completing his tour, and expressed gratitude for his dedication and friendship to Afghanistan.