

ARTF Strategy Group Meeting

May 23, 2017

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on May 23, 2017, and was attended by 12 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 Updates; (ii) Quarterly ARTF Portfolio Update; and (iii) AOB.

1. ARTF Updates:

(a) *ARTF External Review*- the Administrator informed the SG that a firm had been selected, and was now in the process of being contracted. The contracting process was expected to be finalised by the end of the month. The firm would plan to start working by the first week of June, and to visit for field work in mid-July. The MoF expressed their appreciation that the selection was near conclusion, and requested to review the proposed members of the selected firm to provide comments if needed. The Administrator agreed to discuss further with MoF. The Administrator also reminded the SG of the need to agree on the composition of the Contact Advisory Group for the external review as per the Terms of Reference;

(b) *ARTF Financing Strategy (FS)*- The Bank informed the SG that there was a slight delay in the draft due to the need to discuss with MoF and ensure alignment with the ongoing government mid-year budget review process. As requested by MoF a special SG meeting would be held in the first week of June following an extended meeting of the Higher Economic Council, which would be followed by the issuance of the government budget circular. This would then help to frame the financing needs/envelope for the draft ARTF FS. The SG would soon be requested to provide their best estimates on financing pledges, and priority areas for the next three years of the FS, which would help to develop an overall framework of sources of financing in support of the ANPDF (on-budget, off-budget, and private sector capital). The Bank suggested that some donors could play an active role in drafting some inputs to the FS around some sectoral themes perhaps.

MoF further informed the SG that the government had over the past month reviewed execution of budget with line ministries of existing programs including those financed through IDA and ARTF. This would help clarify what the line ministries could realistically be able to spend within the next 6 months. A similar exercise was conducted with the Asian Development Bank, and the government would plan to do a similar exercise with other large donors such as USAID for their bilateral programs. This exercise is to help see where some fiscal space could be created in the development budget to finance ANPDF priorities and the national priority programs (NPPs). The Bank confirmed that in general budget execution of Bank financed projects was satisfactory.

A question was raised on the involvement of donors in the drafting of the FS, and also the timing of the special SG session given the forthcoming JCMB. Bank clarified that the Bank would propose to have two more discussions in June with the SG on the FS, and to the extent

¹ Australia, Denmark, European Union, Finland, Germany, Italy, Japan, the Netherlands, Norway, Switzerland, United Kingdom, USAID, US Embassy.

possible donors who had deep interest and technical expertise in certain sectors to contribute. Also that the next Steering Committee meeting would likely be planned for July, with the date subject to confirmation with the MoF.

A question on how the special session on the FS could be used to contribute/strengthen messages for the JCMB planned for June 11th was also raised. The Bank clarified that the JCMB was too high level to bring in discussions on the FS, however that messages needed to be clear and aligned with priorities and commitments expressed at the Brussels Conference. Bank also very involved in the private sector discussion at the JCMB.

SG requested a timeline of the key meetings coming up in the next few weeks vis-à-vis the preparation of the FS. Bank committed to send invitations for planned meetings early on. There was also a request to the government to provide a matrix of NPPs with their status, and estimated budgets, and also whether there was any work been done to estimate the government's capacity to absorb funds under the NPPs. MoF informed the SG that the NPPs were a broad indication of key areas that the government views as priorities, but this did not mean these were the only activities that the government would be doing. Also that the government was aware of the issues with low budget execution and was actively working with its partners- WB, ADB and others to identify and resolve key issues that impacted this such as procurement etc.

There was a comment that the government had to have full ownership of the external review process and the drafting of the FS. Also, SG were concerned that if the external review is delayed due to contractual bottleneck, will that affect the robustness of ARTF FS? Bank clarified that the plan was to have the review findings highlighted in the FS, and that with the timeline of having a FS final draft by October there would still be adequate time for the review findings to be reflected, and it will not affect the robustness of the Strategy.

(c) Afghanistan IDA Pipeline Projects: The Bank informed the SG that 6 projects amounting to US\$477.3 million of IDA (US\$328 million) and ARTF (US\$149.3) financing were expected to be presented to the World Bank Board of Executive Directors on June 13, 2017. Negotiations between the Bank and the Government of the last project in the batch- Additional financing to the Citizens' Charter Afghanistan Project (CCAP) were just concluded today, which would provide additional funds of \$127.7 million from IDA (regional and country allocations) and the ARTF (US\$44.3 million) to support 14 districts that would be receiving high numbers of returnees as an emergency response. Discussions for a livelihoods project to support more medium term response for returnees were ongoing with the government. The other projects included- ARAP- US\$105 million (ARTF); Herat Electrification Project- US\$60 million; Strategic Grain Reserves- US\$20.3 million; Development Policy Grant- US\$100 million; Urban Development Project- US\$20 million.

2. **ARTF Portfolio Update - 1396 Deliverables and Pipeline:** The Administrator briefed the SG on the portfolio status for the first quarter of Fiscal Year (FY) 1396 (2017). Specifically:
 - *Investment Window: 1396 Pipeline-* The 1396 ARTF pipeline includes 10 investment projects (including 4 project preparation grants [PPGs]) amounting to US\$483.1 million. To date 2 of the projects (2 PPGs) have been approved by the ARTF Management Committee. 6 out of the remaining projects (largely additional financing grants) are expected to be presented to the

ARTF MC for approval during the week of June 19th, 2017, with the other approval (FSP) expected in September, 2017, and EQRA in early 2018.

- *Active Portfolio*: Active ARTF portfolio of 25 investment projects including 4 PPGs, totalling US\$3.3 billion; total disbursement across all these projects as of April 20, 2017 stands at US\$2.4 billion; 9 of these projects have been active since late 2015 and 2016; 1 since 2009 (EQUIP), and the remainder since 2011-2014.
 - NSP III closed as planned on March 31, 2017. Process of preparing the final Project Implementation Completion and Results Report (ICR) is underway. Consultation with ARTF donors on May 25, 2017 at 10 am with the World Bank ICR team.
 - 22 of 25 projects are rated Moderately Satisfactory (8) or Satisfactory (14) in terms of implementation progress; moderately unsatisfactory rating on implementation progress for 3 projects- AAIP, EQUIP, NATEJA. Actions being taken to improve the performance of the projects were discussed.
- *Restructuring of Projects*: 11 of the active projects are being or have been restructured to date. This includes extension of closing dates, change in project scope due to inclusion of new activities with additional financing etc.
- *Recurrent Cost Window*: Disbursement to date in 1396 stand at US\$ 65 million of which, first quarter baseline of US\$18.75 million; with the remainder of US\$46.25 million as Ad Hoc Payments (AHP); disbursement of funds under the IP pending the next technical review meeting expected to happen in the next 2 weeks- approximately US\$ 200 million; pending disbursements of US\$18.75 2nd quarter baseline financing and approximately US\$3.0million of AHP in the next month.
- *Research and Analysis Program*: The RAP Committee approved an additional: US\$ 300,000 for the Afghanistan Fiscal Policy PA to support the scaling of support to the government on its fiscal performance improvement agenda; and US\$100,000 for the Navigating Risks & Uncertainty in Afghanistan for dissemination of outputs.
 - Two originally approved studies were dropped: Review and Rethink of Afghanistan's Transport Sector, and the Afghanistan SOE Corporate Governance.
- *Status of ARTF Contributions in 2017*: The Administrator presented the status of contributions received to the ARTF against the amounts pledged at the start of the current FS. Of note is that US\$205.92 million contributions have been received so far in 1396 (2017), with a balance of around US\$1 billion remaining to be received from the total contributions pledged for the current FS.

Discussions were as follows:

- Presidential Summit on Health- question on how the Bank health team was coordinating with other donors to prepare for the meeting. Bank clarified that the Health Summit would be held on June 1st bringing together key donors in the health sector plus Bank senior management and global health leads. A meeting with World Bank Country Director, the Bank health team and the donors would be held prior to the Summit.
- Project restructuring decisions and extension of implementation timelines are based on discussions and technical assessment of activities that are being financed and a realistic time it will take to complete the activities.
- The Bank clarified aspects of the CASA-1000 CSP and its implementation.

- MoF further informed the SG that the government pays close attention to the project ratings and disbursements to ensure that they are performing well, and to see where changes may need to be made in order to improve performance.
- FPIP review on ARTF portfolio performance and how it correlates with the ARTF portfolio performance status. MoF clarified that the FPIP review was an internal government exercise that focused on looking at the annual budget execution for funds allocated for that year for a project. The ratings were very close to those in the ARTF portfolio table.
- Request the portfolio review to also be forward looking, to identify projects where there may be changes to be made in the future so that donors can make changes to their internal administrative matters if needed.
- Question on when the discussions on the next Incentive Program would be held. Bank to confirm with the IP team and get back to the Bank.
- Could separate discussions be held on projects of interest with the Bank technical teams, government, and donors? Bank agreed that this could be done if interested.
- USAID wanted a separate meeting on SEHAT with health technical staff involved from USAID, World Bank and government side.
- EU requested to have a separate meeting on communications on showing visibility of their funds.
- Scorecard and bi-annual results matrix- will be late, and expected to be released soon.

3. **AOB:** Next ARTF 101 session to be scheduled before the end of May.