

ARTF Strategy Group Meeting

June 2, 2015

Summary of Discussions

An ARTF Strategy Group Meeting was held on June 2, 2015 with participation from 14 donors and the Ministry of Finance. The World Bank Operations Manager, Stephen Ndegwa, and Senior Operations Officer, Ditte Fallesen, chaired the meeting. Stephen Ndegwa thanked the Ministry of Finance (MoF) for their hard work building government consensus on the strategy as well as donors for their flexibility and cooperation.

The ARTF Financing Strategy: The draft ARTF Financing Strategy was revised based on discussions of the Strategy Group in February, 2015, and later with MoF to ensure alignment with government vision and development priorities.

MoF thanked the World Bank and donors for their patience while they worked internally to set government strategy following the political transition. MoF explained that Government wants to prioritize private sector development, budget-linked policy making, and urban development. Government appreciates that the ARTF is complemented by the International Development Association (IDA) within these key areas and that the two financing sources are mutually supportive. Given the limited financing available and the significant investment needs in Afghanistan, Government will have to prioritize their most critical requirements. MoF endorsed the Financing Strategy and asked for flexibility to continue developing the ARTF pipeline for the outer years, 1395 and 1306, as government's development strategy evolves in the coming months.

The following issues were discussed by the Strategy Group:

- A **Technical Assistance Project** will be added to the pipeline to allow the ARTF to support specific, short-term government capacity in select priority areas;
- It was recognized that **limited financing is available** but as government strategies in various areas, including rural development, urban development, and agriculture, further develop, projects can be consolidated and complementarities created with ARTF and non-ARTF projects.
- Discussions on the **ARTF exit strategy** and increasing government ownership will continue in parallel with discussions on government development priorities;
- **The Incentive Program (IP)** will need to be finalized before end of June, 2015. There has been progress and agreements reached on strategic benchmarks, O&M, and revenue matching grants. In the event that the IP is not finalized by end of June 2015 Government and donors will have to discuss how to proceed as the ARTF Interim Arrangement made clear that the new Financing Strategy and the new IP were mutually dependent;

The Research and Analysis Program (RAP): MoF noted the need for multi-year sequenced analytical work program informing development objectives of the Afghan Government. Analytical needs are vast and include fiscal implication of security-sector expenses, jobs diagnostic for urban population, vulnerabilities to corruption and anti-corruption efforts required, water resource management including regional power management, access to drinking water in over-populated urban areas, and best practice in institutional arrangements, among others. Impact Evaluations of ARTF interventions will also continue to be a priority under the RAP. As Government's priorities

for analytical work evolve, the World Bank and MoF will continue discussions with the Strategy Group to ensure collaboration and coordination on the RAP program.

The Strategy Group agreed that the ARTF Financing Strategy 1394-1396 was ready to be sent to the Steering Committee for final endorsement, subject to circulation of a finalized draft to the Strategy Group. The ARTF Steering Committee meeting will take place June 15, 2015.