

ARTF Strategy Group Meeting

December 16, 2015

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on December 16, 2015 with participation from 13 donors and the Ministry of Finance (MoF) as well as representatives of the BDO, the Monitoring Agent for the Recurrent Window. Wezi Msisha (World Bank Senior Operations Officer & Acting Operations Manager) chaired the meeting. Agenda points of the meeting were - (i) Short presentation on ARTF funds flow; (ii) Presentation by BDO and; (iii) Updates on ARTF.

Brief Presentation on ARTF Cash Flow: Mr. Wali Ahmadzai, Operations Officer briefly presented on the ARTF funds flow and the accounting system currently in place for the ARTF. The purpose was to update members of the ARTF strategy group on the steps involved in donor's contributions to the ARTF, process of finalizing the administrative agreements and how payments are made to the ARTF parent account. He also explained how funds are allocated to various investment projects as well as to the Recurrent Cost Window following to the MC approval. Further, procedures and processes of disbursement to the beneficiaries for project implementation were also explained. The participants had questions which were taken in the end of the presentation.

Some participants raised their concerns in regard to the late payments in the start of each fiscal year to Facilitating Partners that are working with the NSP. According to them, this concern is also there in the context of Maintenance Grants channeled by NSP to the communities. In response, it was reiterated that the Ministry of Finance is aware of the importance of flow of funds during the start of the new fiscal year and they have provided their assurances of smooth process of disbursements.

Presentation by the RCW Monitoring Agent (BDO): The Monitoring Agent for the Recurrent Cost Window (RCW) that works with the Ministry of Finance also presented their findings and monitoring work for FY 1394. BDO's primary task is to make sure that expenditures reimbursed under the Recurrent Cost Window of the ARTF are 100 percent compliant with the World Bank procurement and fiduciary standards (only compliant transactions are paid through the ARTF). The monitoring agent first presented the structure and the methodology it has developed and employed to conduct the monitoring work. They appreciated the fact that the data available in the Afghanistan Financial Management Information System (AFMIS) in the Ministry of Finance is impressive and incomparable with other countries of similar context. They also acknowledged that the trends in compliance of procurement procedures and financial management are improving albeit slowly.

However, they also highlighted the fact that only 28 percent of the overall Operations and Maintenance (O&M) expenditures are compliant with the World Bank procurement and financial management standards. They explained that due to the rigorous and strict standards employed, some of the ineligible expenditures might be due to minor misunderstandings or lack of awareness while some are serious such as missing documents in the procurement process. They reported that majority of the non-

compliant cases have taken place in the provinces where capacity is low. The participants agreed on the fact that more capacity building support needs to be provided to the relevant staff in order to improve the rate of compliance.

Paul Welton from the task team shared that the Bank is working very closely with the government in supporting them in the area of public financial management through the additional financing for PFMR II project that is under preparation.

Updates on the ARTF-Discussion: Wezi Msisha, Senior Operations Officer updated the audience on the following points:

1. Research & Analysis program has been launched. She shared that USD six million has been allocated for Research & Analysis purposes from the ARTF for a period of three years. Ministry of Finance identified areas where the Government see need for research and analysis. We received 18 proposals relevant to the identified areas out of which 10 have been selected.

2. Two projects, On-Farm Water Management and Naghlu Hydropower Rehabilitation that cost US \$45 million and \$83 million respectively were approved by the Management Committee on December 14, 2015. The next step for these project will be to sign the grant agreement between the World Bank and the Ministry of Finance. Besides that, two more projects, additional financing for PFMR II and funding for DABS will be presented to the Management Committee for their approval. Total cost of these projects is USD \$40 million and USD \$6 million respectively.

3. A total of USD \$60.6 million has been disbursed under the Incentive Program for FY1394 while USD \$33 million is expected to be disbursed in late December 2015.

4. ARTF third party supervisor agent will start its field work soon. They have already submitted their inception report. Their focus will be on five large investment projects and include NSP, EQUIP, ARAP, IRDP and OFWMP. This phase of monitoring will not only be limited to physical verifications but also to social and environmental aspects of the Programs. They will conduct their training and pilot check of their monitoring tools in late December. Once they are settled in the field, in February, they will also make a presentation to the ARTF Strategy Group.

5. The ARTF Financing Strategy is currently being updated to outline priorities. Discussion is ongoing with the Ministry of Finance in regard to over-programing and shortage of funds. Representative from the Ministry of Finance further added that there will be further trilateral discussions between the ARTF Strategy Group, Ministry of Finance and the World Bank on outlining priorities as the gap between donor pledges and the Government priorities is widening. The Bank also highlighted the importance of making payments to the ARTF by the ARTF donors on time so as to avoid any delay in funds allocations to the projects. The administrator encourages especially end-year contributions to be avoided.

6. The ARTF Results workshop was cancelled twice due to security limitations. We will arrange it again in January, however, the focus will be a bit different this time. It will not only focus on ARTF results reporting but also on planning for future ARTF projects.

7. The audience inquired about the Jobs for Peace program and noted that government has gone quiet on it.