

TERMS OF REFERENCE

THE ROLE OF THE STRATEGY GROUP

Background: The Strategy Group was established in the 2010 paper “Strengthening the Governance Structure of the ARTF” as an advisory group to the Steering Committee on issues related to the ARTF Financing Strategy. The following is established in the paper:

“The Strategy Group is composed of: (i) key donors with technical expertise in Kabul, (ii) the Ministry of Finance and (iii) the Administrator, acting as secretariat and facilitator. The Steering Committee would agree on strategic decisions as set out in the Financing Strategy and the Strategy Group would support the Steering Committee in fulfilling its mandate.

The Strategy Group meets in Kabul at the technical level to review the Financing Strategy, review the implementation of the ARTF program and propose modifications to the Financing Strategy for endorsement by the Steering Committee. Specifically, the Strategy Group:

- Makes recommendations to the ARTF Steering Committee on the ARTF Financing Strategy at the start of each solar year;
- Informs the annual review (by the Steering Committee) of the implementation of the Financing Strategy to assess how well funding decisions on individual projects, recurrent cost support and the Incentive Program met the proposed strategy, and to highlight issues that arose in the course of implementation;
- Holds ad-hoc review meetings during the year whenever necessary to discuss particular issues or bottlenecks;
- Ensures that the Financing Strategy is coordinated with the Ministry of Finance Fiscal Policy unit (and therefore the Medium Term Fiscal Framework) as well as with the Ministry of Finance Budget Department;
- Supports the development of a results matrix for the Financing Strategy.

The Strategy Group does not set sector level policies - currently handled through project design and supervision – but the Strategy Group raises relevant matters in relation to sector level policies to the attention of the Steering Committee. In time, when sector wide approaches become an option, the Strategy Group is expected to play a wider sectoral role. To the extent appropriate, the group could also act as a liaison to Government clusters.”

Status: The Strategy Group became effective in late 2010. The Administrator is now putting forward a more detailed proposal for the functioning of the Strategy Group to allow the group to perform its role and provide input to the Steering Committee.

In February 2012 donors sent the Bank a letter expressing their firm commitment to the ARTF as a key mechanism for supporting the Government of Afghanistan. In regard to the Strategy Group donors said they were looking for “*more frequent and/or focussed meetings, structured agendas, but a slightly more informal tone for discussion in the Strategy Group may be useful. This Group presents the opportunity to*

be a “working” group in many ways to help the Bank, as ARTF Administrator, better understand donors’ concerns and interests, and make the most out of higher level discussions at Steering Committee.”

Proposal: To address these issues and allow the Strategy Group members to engage in more informed discussions on the Financing Strategy and ensure that the discussion of the Financing Strategy is not a one-off annual discussion, but rather a continuous engagement on the status of the ARTF investment portfolio, the Administrator proposes the following arrangements for the Strategy Group:

- The Strategy Group will act as a working group engaging in discussions throughout the year to enable a more strategic discussion of the status of the Financing Strategy to advise the Steering Committee. It will act as a forum through which the Administrator, Ministry of Finance and donors can gain more insight into and understanding of their respective interests and concerns;
- The Administrator will provide the Strategy Group with regular updates on the Financing Strategy and the group will engage in discussions on the status of the Financing Strategy as needed;
- Agenda topics could include:
 - Issues of strategic relevance to the ARTF such as Transition, sector policies, sub-national governance and financing;
 - Project and sector-level engagements with Bank sector teams to discuss project progress, challenges and risks as well as cross-cutting issues (e.g. s safeguards policies in ARTF investment projects, the use and future of CDCs, community-based monitoring, gender etc) suggested by members of the Strategy Group.
- The Strategy Group will provide input for and advice the Administrator on the ARTF Monitoring Results Framework. Going forward the Strategy Group will provide input and advice for the Administrator on results management including reporting;
- The Strategy Group will provide input to the agenda for Steering Committee meetings and act as a forum for robust and more detailed discussions enabling more strategic-level discussions and decision-making at the Steering Committee meetings. The Strategy Group will monitor the implementation of decisions made by the Steering Committee and report back to this high-level forum on progress and challenges.

Membership:

The Strategy Group consists of the following members:

- The Ministry of Finance;
- The World Bank as ARTF Administrator; and
- ARTF Donors providing a minimum of US\$10 million annually to the ARTF, at the time of the pledge to the ARTF Administrator. As exchange rates fluctuate, this amount is allowed to fall by a maximum of 5 % by the time of the contribution. Amounts are based on the Afghan fiscal year (December to December).
- Membership is reviewed once a year.

Procedures:

- The Strategy Group convenes on a monthly basis;
- The Strategy Group will be chaired by the Administrator;

- A Lead Donor, appointed every three months on a rotating basis, will support the Administrator in the functioning of the Strategy Group, including framing the agenda for meetings. While the objective is to strengthen donor engagement, the Administrator will take the lead on the work needed and the requirements on donors' time and efforts will be kept light and manageable;
- Meeting invites are sent out by email. The meeting schedule is available online and will have information on planned meetings and their topics for six months at the time;
- Documentation will be made available in a timely manner, at least 7 work days in advance of meeting, to allow for preparation.