

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Strategy Group Monthly Meeting
Wednesday, February 17, 2021
Virtual Format

Meeting Summary

The ARTF Strategy Group held its monthly meeting in a virtual format on February 17, 2021. Representatives of 15 donor partners¹ and the Ministry of Finance attended. World Bank (WB) Country Director Henry Kerali and [REDACTED] co-chaired the meeting.

Summary

The SG discussed policy actions for the 2021 Incentive Program Development Policy Grant, endorsed a proposal to use ARTF Advisory Services Implementation Support and Technical Assistance (ASIST) resources to support analytical work in the urban sector, and provided feedback to the WB Afghanistan Risk and Resilience Assessment (RRA), which forms part of the WB standard package of country engagement planning documents. Because of its relevance to the ARTF Partnership Framework and Financing Program (PFFP), the RRA is being developed in parallel to the PFFP. The SG received scheduled updates on ARTF finances, Gender Working Group discussions, ongoing approved ASIST initiatives, and the process of amending the ARTF Administration Agreement Annex on Standard Terms and Conditions Governing Contributions to the ARTF, and discussed planning for the next PFFP and the annual Country Portfolio Performance Review. Under AOB, the WB responded to donor questions about recent anti-government element (AGE) pressure on health sector service providers and community development councils, as well as the parliamentary review of the national budget and its implications for some ARTF-financed programs.

1. Planning for the 2021 Incentive Program Development Policy Grant.

- The Incentive Program Working Group (IPWG) is the forum in which the ARTF partnership collaborates to identify policy actions for the annual Incentive Program Development Policy Grants (IPDPG). However, because the IPDPG has broader relevance for the overall ARTF portfolio and commitments under the mutual accountability/partnership framework, the WB has traditionally updated the SG on IPDPG planning each February. Planning for 2021 has progressed well, with consultations on policy actions conducted in the IPWG, the Gender Working Group and bilaterally. The WB thanked partners for their active engagement. The WB expects to provide total funding of US\$ 400 million for the 2021 IPDPG, of which US\$100 million will be drawn from IDA to finance four prior actions (US\$ 25 million per action) and US\$300 million will be drawn from ARTF to finance eight tranche release conditions linked to policy actions (US\$ 37.5 million per action), to be completed by November 15, 2021. Tranche release conditions met after that date but before May 15, 2021 can still be eligible for reimbursement, but in an amount that declines by ten percent with each passing month.

¹ Australia, Canada, Denmark, European Union, Finland, Germany, Italy, Japan, Republic of Korea, Netherlands, Norway, Sweden, Switzerland, United Kingdom, United States.

- Fiscal sustainability, anti-corruption, and growth are identified priority topics for the current year, and there is consensus that the program should align to the extent possible with the structure of the second Afghanistan National Peace and Development Framework (ANPDF II) and the Afghanistan Partnership Framework (APF). Under the ANPDF II peace-building priority, policy actions will focus on strengthened revenue and improved expenditure quality for sustained and inclusive services. Under the state-building priority, policy actions will focus on addressing payroll and pension-related challenges to fiscal sustainability. Finally, under the market-building priority of ANPDF II, the policy actions will focus on restoring economic confidence and mobilizing sources of growth. Cross-cutting issues of anti-corruption, gender and social inclusion are being integrated into the policy actions in consultation with donor partners. A draft policy action matrix has been developed and is currently being consulted and refined with donors. The WB team aims to finalize the matrix in the coming weeks.
- [REDACTED] thanked donors for their active and constructive engagement in the technical process and emphasized the Government's commitment to defining a substantive policy reform program that will have meaningful impact on service delivery, fiscal sustainability and public financial management. He noted that had there been sufficient resources in the ARTF to finance a larger program, the MOF would have welcomed an ARTF contribution of US\$ 400 million to the 2021 IP DPG, rather than US\$ 300 million.
- The UK, USAID and EU appreciated the consultative process and dialogue around the IP DPG planning. Several partners underscored the importance of a consultative approach to public financial management that reflects lessons learned from recent experience. The WB team concurred, noting that one value of integrating PFM priorities in the IPDPG is that it ensures a consistent forum for consultation and dialogue. The WB has suggested that Government undertake a short evaluation of the current Fiscal Performance Improvement Plan, which would provide another basis for dialogue and incorporating lessons learned.
- Donors also welcomed efforts to better link this iteration of the program with the mutual accountability/partnership framework. The approach is expected to work well with the widely consulted Afghanistan Partnership Framework mechanisms, provided that process goes forward as agreed between MOF and donor partners. SG members observed that a good balance has been struck in the IPDPG between responding to short-term crisis and advancing longer term policy priorities, and underscored appreciation for the attention to cross-cutting issues including operations and maintenance expenditures and gender. The EU appreciated the inclusion of extractives sector policy actions, which aligns well with priorities being considered for the EU's State and Reform Building Contract (SRBC).
- The EU also took note of the difficulties encountered in 2020 with delayed release of data from the central bank, and expressed its concern to ensure no similar problems are encountered in 2021, considering that the data are also critical to its SRBC operation.

The SG expressed support for continued preparation and finalization of the 2021 Incentive Program Development Policy Grant.

2. ASIST support for government-requested technical assistance in the urban sector.

- The Advisory Services, Implementation Support and Technical Assistance (ASIST) window is one of four ARTF windows. Like the Anti-Corruption and Results Monitoring Action Program (ACReMAP), it is Bank-executed. ASIST was established under the 2018-2020 PFFP to

respond to GoIRA's need for a facility that can support longer-term international technical assistance. This TA is often required in strategically important sectors but is difficult to recruit for within government projects. ASIST also aims to improve coordination of donor-financed technical assistance, reducing instances of overlapping/competing assistance programs that had been observed with increasing frequency when the window was established.

- ASIST is designed to be demand driven. That is, the WB develops proposals on the basis of a request from line ministries and a confirmation of support from the Ministry of Finance. ASIST initiatives can be financed from the small allocation of core ARTF resources made available for that purpose in the PFFP (roughly one percent of new resources in the PFFP period are set aside to finance ASIST). Alternatively, the WB can also accept supplemental contributions (over and above donors' core commitments) to individual ASIST proposals that one or more donors is interested to support, subject to some limitations imposed by internal WB rules on approving new advisory projects.
- New proposals are approved only with the explicit endorsement of the SG, which ensures visibility of ASIST-financed initiatives and their full coordination with the international community. In total, five proposals with a total value of US\$ 8.6 million have been approved to date. Semi-annual updates for each of the ongoing initiatives were provided to donors ahead of the SG meeting. Government has requested the SG to consider a sixth proposal.
- The Urban ASIST initiative would supplement ongoing WB-funded analyses with US\$ 1.1 million in ARTF financing. The team provided a detailed technical briefing on the work for partners prior to the meeting and joined the SG to present an overview. The initiative aims to improve understanding of opportunities and challenges in Afghanistan's urban areas, promote cross sectoral collaboration, and deliver analysis to improve the performance and resilience of Afghan cities and the operational efficiency of WBG programs in urban spaces.
- The WB team presented a map of past and ongoing analytical work in the urban governance and inclusive development sectors, its relation to existing WB- and ARTF-financed programs, and how the ASIST financing would supplement the work in five components: 1) operationalizing a municipal incentive fund (with direct links to the Cities Investment Program (CIP)); 2) deepening analysis on the drivers of growth in urban areas (with links to the Kabul Municipal Development Program (KMDP), Eshteghal Zaiee Karmondana (EZ-Kar), Sehatmandi, and Afghanistan Land Administration Systems Project (ALASP)); 3) developing urban mapping to improve spatial coordination across urban investments (with links to CIP, the Citizens' Charter Afghanistan Program (CCAP), KMDP, EZ-Kar and Sehatmandi); 4) assessing options incrementally to expand housing for low income households (with links to ALASP), and 5) strengthening urban governance and institutions (with links to CIP).
- Partners appreciated the earlier technical briefing and offered strong support for the proposal. Norway asked which institutions had requested the work. The team explained that it will be conducted with the Independent Directorate of Local Governance, the Ministry of Urban Development and Land, and Kabul Municipality, and will collaborate with other ministries.
- In response to a question about the number of cities that would be covered by the work, the team explained that, for example, the GIS portal component of the work currently financed by the WB covers capital cities in Kabul, Herat, Jalalabad, Mazar-e-Sharif, Kandahar and Khost where the Citizens' Charter, Cities Investment Program, and Eshteghal Zaiee-Karmondana projects are active. ASIST resources will enable the team to expand the analytical work in line with the urban expansion of CCAP to smaller cities.

- A comment observed that informal settlements and regional townships, and land-grabbing associated with such settlements, are closely linked to the challenge of rapid urbanization but are somewhat distinct from the informal and other informal types of settlements referenced in the presentation. Does the team expect the analysis to look at these types of settlement on the peripheries of more urban areas? Women in particular struggle in these communities and it would be valuable if the analytical work could help inform Government's policy approach. While there are some limitations on the ability of the current analytic tools to quantify land-grabbing, the team observed that work under the customary land rights component can offer some further tools to understand growth centers emerging informally and sometimes formally around the cities.
- Comments also encouraged the team to consider offering periodic technical briefings on the work, in light of its potential applicability and relevance to donor portfolios and coordination efforts. KfW noted that it has a team undertaking some similar work and offered to connect the teams.

The SG endorsed the request to use ARTF ASIST funds to finance the analytical work.

3. Update on WB Risk and Resilience Assessment in Afghanistan.

- The Country Partnership Framework (CPF) is a WB corporate document that aims to provide a multi-year planning framework for the WB's overall country engagement. In Afghanistan, ARTF planning through the Partnership Framework and Financing Program (PFFP) and the CPF are closely linked. The WB's current Afghanistan CPF was originally scheduled to end in June 2020 but has been extended through June 2022. The team is currently preparing the next planning cycle.
- Under the WBG's Strategy for Fragility Conflict and Violence (FCV), every CPF in an FCV country must be preceded by a Risk and Resilience Assessment (RRA), using a standardized methodology that aims to identify drivers of fragility and sources of resilience. Work on the Afghanistan RRA began in parallel with the preliminary work on the PFFP. Early findings have been reflected in drafts of that document. With the work having further advanced, the RRA team was interested to present the work and solicit inputs and comments from SG members.
- The team reviewed the political and economic context, observing that increasing poverty, limited labor market opportunity, and high levels of aid dependence combined with declining resources contribute to narrowing pathways to peace. Structural elements of fragility include longstanding historical factors, characteristics of the post 2001 settlement, and attributes of post 2001 interventions. Indications of fragility are discernible across most arenas of contestation, including the intersections of power, economics and governance, the security and justice sectors, access to and control over natural resources, and in delivery of services. Political economy factors limit the state's ability to manage exogenous fragility drivers, and also contribute directly to fragility. By contrast, a strong appetite for peace, national identity, community risk sharing and high labor mobility all act as sources of resilience.
- In the development field, sustained support has built basic service delivery capacity and supported rapid gains in development indicators, while generally failing to achieve the overarching goal of a fully effective and accountable state. The WB portfolio has played a critical role in supporting some of the key development gains but has historically focused on technocratic solutions that do not directly address deep governance and institutional weaknesses. The analysis has identified a range of security, governance, economic, and

international support scenarios. It aims to consider their implication for the portfolio and make programming and management recommendations under each scenario.

- Partners appreciated the WB team for its commitment more formally to reflect conflict sensitivity in planning documents and expressed interest to hear more as the analysis evolves. The issues being considered are of broad relevance to all donor partners and merit ongoing discussion. The WB team noted that it would convene development partners for a technical level discussion of, and feedback on, the findings and recommendations. Partners observed that there is some tension between the desire to generate fairly specific and actionable recommendations and the need to reflect the reality that scenarios will be fluid rather than static. Discussing the observations publicly will require the team to take some care in balancing simplicity and clarity with nuance that may be needed where messages, e.g., on the effectiveness or otherwise of international interventions, include some sensitivity. The SG appreciated that preliminary findings have already been reflected in the draft PFFP document, which is one benefit of conducting the two streams of work in parallel.

The team thanked the donors for the discussion and noted that they are required to produce a draft document for initial internal review in March. Donors are welcome to provide additional written comments on the RRA presentation by the end of February.

4. Updates

- Donors received **standing monthly updates on ARTF finances and semi-annual updates on ongoing ASIST initiatives** with the invitation. Questions to the ARTF team are welcome.
- The WB has slightly delayed production of the next PFFP draft with the aim incorporating additional information from internal planning processes. **Rather than producing the next PFFP draft in February as originally planned, the WB will hope to disseminate the next draft of the text in early March.** Commitments from some donors remain outstanding, which will need to be clarified before the PFFP is formally presented to the Steering Committee.
- The WB has begun internal preparatory work for the annual Country Portfolio Performance Review (CPPR) but had not as of the date of the meeting been able to confirm planning with the newly appointed [REDACTED]. **The WB team plans to recommend beginning the CPPR in the last week of March, but this will be subject to scheduling confirmation with the MOF.**
- The WB has made **good progress on collecting signatures of current and former donors for the revised ARTF Administration Agreement.** Although some current and former signatures still remain outstanding, the WB team has made contact with all former donors, with one exception. Despite repeated attempts to connect with the Government of Bahrain, the WB team has not succeeded in finding a good contact. **The WB team requests support from SG members to reach out to the Government of Bahrain to discuss the amendments.**
- **Gender Working Group co-chair Rose Roxburgh** noted that the [REDACTED] had joined the last GWG meeting, which is a welcome sign of progress. The GWG would welcome support from both MOWA and MOF for consistent participation in the meetings. GWG will also offer MOF suggested questions to present to the CPPR process when meetings take place. Ms. Roxburgh thanked Vicki Stein from the USAID Office of Gender who will take over as GWG

co-chair when her term concludes in March. The WB thanked Ms. Roxburgh for her active engagement as co-chair.

5. AOB

- [REDACTED]
- [REDACTED]
- [REDACTED]