



## Steering Committee Meeting

Wednesday, June 9, 2021 3:00PM - 5:00PM (GMT + 4:30)

In-Person: WB Hindukush Conference Room, Kabul (or join via WebEx Event)

### Summary of Discussions

#### Summary

The Afghanistan Reconstruction Trust Fund (ARTF) Steering Committee (SC) met June 9, 2021 in a mixed in-person/virtual format. H.E. Acting Minister of Finance M. Khalid Payenda and World Bank South Asia Region Vice President Dr. Hartwig Schafer co-chaired from the World Bank office in Kabul, Afghanistan. Seventeen ARTF donors<sup>1</sup> and three official observers<sup>2</sup> joined. The SC endorsed the ARTF FY1400-FY1403 (2021-2024) Partnership Framework and Financing Program (PFFP). The PFFP provides strategic guidance for the ARTF partnership as it invests new resources in calendar years 2021 to 2024 and sets out operating objectives for the fund during this period. The SC also endorsed ARTF-related findings of the 2021 Country Portfolio Performance Review (CPPR). The 2021 CPPR conducted a project-by-project review of ongoing programs funded during earlier periods and made recommendations. These recommendations for current programs will be implemented alongside the new priorities set out in the PFFP.

#### 1. Welcome and context setting by co-chairs

Dr. Schafer thanked ARTF stakeholders for their collaboration in developing the 2021-2024 PFFP. He introduced the ARTF team, thanked outgoing Afghanistan Country Director Henry Kerali and Operations Manager Homa Fotouhi, and introduced incoming Country Director Ms. Melinda Good and Operations Manager Mr. Tony Verheijen. Ms. Good and Mr. Verheijen will begin their assignments in July and joined the Steering Committee meeting as observers.

H.E. Acting Minister of Finance Payenda stressed the importance of the ARTF as a key forum for Afghanistan's dialogue with international development partners and a key contributor of development for Afghans. He welcomed the international community's continued support for the ARTF and stressed the importance of development as international troops withdraw. Advancing the development agenda requires GoIRA to allocate resources in a strategic, prioritized manner. As reflected in the PFFP, basic service delivery to meet pressing needs of the Afghan public, including in education and health, will remain at the top of the agenda. The ARTF incentive program is likewise crucial for advancing priority reforms that improve life for ordinary Afghans, including by addressing anti-corruption from a public finance lens. The eight forthcoming National Priority Programs (NPPs) are expected help guide resource allocation.

AM Payenda observed that GoIRA continues to rely on donors' on-budget development assistance, and ARTF has been government's most effective tool for delivering development assistance while promoting Afghanistan's self-reliance. ARTF's predictable development financing has been a key factor in this achievement. The 2020 Afghanistan Conference in Geneva happened under difficult circumstances. Though pledging results were higher than initially anticipated, GoIRA recognizes that donors' annual commitments will require robust

<sup>1</sup> Australia, Canada, Czech Republic, Denmark, European Union, Finland, Germany, Italy, Japan, Republic of Korea, Netherlands, Norway, Poland, Sweden, Switzerland, United Kingdom, United States.

<sup>2</sup> Asian Development Bank, United Nations Development Programme, United Nations Assistance Mission in Afghanistan.

follow-up. MOF looks forward to the Senior Officials Meeting (SOM) in November 2021. The SOM will be the first high-level gathering after the completion of troop withdrawals, and as such will launch the next important chapter in Afghanistan's development.

Dr. Schafer stated that the PFFP launches a new stage of the successful and long-lasting ARTF partnership that has evolved over 18 years of operations. The ARTF has adapted to rapidly changing contexts. Enhanced fiduciary control mechanisms, including robust third-party monitoring arrangements, have been a key characteristic enabling ARTF to move with the times, deliver impact in a challenging context and ensure consistent and strong controls.

He observed that for some time the narrative on Afghanistan has been negative. While there are challenges, it is equally important to reflect on what has been achieved. ARTF resources have supported continued development across the country. First, Afghanistan continues to benefit from a government that is fully committed to development and peace. This is a fundamental building block of development and should not be taken for granted. Second, Afghanistan has a set of core institutions that underpin the key functions of the state. ARTF has been fundamental in supporting this achievement. ARTF has also supported sound economic management and the development of government agencies staffed by a generation of educated and dedicated Afghan civil servants, including many women. Finally, there is a track record of success in delivering real development gains. Afghanistan's development indicators have moved rapidly from among the worst in the world to around the average for low-income countries. And the ARTF demonstrated in 2020 that it is capable of rapid response to challenging circumstances, delivering important national programs and large-scale portfolio adjustment rapidly in response to COVID 19.

He observed that Afghanistan is a testament to what coordinated international assistance can achieve, saving countless lives and enormously expanding opportunities. The next cycle of the ARTF will leverage achievements of the last 20 years to sustain progress. Through ongoing scenario planning work, the WB will work to ensure that dialogue continues and ARTF stakeholders are prepared for changing circumstances and the ARTF continues to serve as a functional vehicle for pooling resources, pushing priorities in a coordinated way, and scaling up successful interventions to deliver benefits to the Afghan people. Dr. Schafer affirmed that the World Bank remains committed to Afghanistan and to a strong ARTF. He noted that most Afghanistan-based international staff had been relocated outside the country in March 2020 owing to COVID conditions, and updated partners on planning to bring international staff to the United Arab Emirates to enable regular short missions to Kabul as an intermediate step that would be followed by returning international staff to Kabul when conditions permit to support continued work on the Afghanistan program, including delivery of the PFFP. He invited World Bank Country Director Kerali to provide an overview of the PFFP proposed for endorsement, and the MOF to provide an overview of the 2021 CPPR recommendations.

## **2. Presenting the FY1400-FY1403 (2021-2024) Partnership Framework and Financing Program and 2020 Country Portfolio Performance Review for Steering Committee endorsement**

### *a. FY1400-FY1403 (2021-2024) Partnership Framework and Financing Program (PFFP)*

Dr. Kerali echoed earlier thanks to the Government and donor partners for the close working relationship that contributed to the PFFP. He offered an overview of how the ARTF proposes to deliver on priorities under the PFFP presented for endorsement in the meeting.

Afghanistan has experienced significant development gains since 2001. Real per capita incomes have increased by 75 percent, and Afghanistan has registered improvements in the

proportion of children enrolled in education, literacy, declining fertility rate and improving maternal outcomes. Ninety-four percent of health facilities are staffed by at least one female health worker, which is essential to ensuring access to services in Afghanistan's social context. Eighty-three percent of children under age five suffering from malnutrition have been treated. There are many other examples of success. Entrenched slow growth linked to political and security uncertainty, as well as declining donor support pose challenges. Already high poverty rates are beginning to trend upwards. Afghanistan continues to grapple with climate change, including prospects for a potentially severe drought in 2021, and corruption remains a serious challenge with consequences for effective service delivery. Despite considerable gains, challenges with exclusion persist. Declining grants and the fiscal effects of COVID-19 are likely to result in a major reduction in civilian spending - by about 25 percent - by 2024.

Tackling these challenges will require the ARTF to operate with focus, and support key priorities aligned with GoIRA's agenda, including 1) investment programs that finance and build capacity for sustainable service delivery; 2) policy and institutional reforms that sustain progress with the process of state-building; and 3) establishing platforms that would enable the rollout of rapid, sustainable support following a potential political settlement. The PFFP's proposed investments have been mapped to the forthcoming NPPs and are well-aligned.

Increasingly annualized donor commitments represent a key challenge for the ARTF. Whilst assurances for 2021 have been secured, neither the WB nor GoIRA can assume financing will be committed at similar levels later in the period. The challenge requires all parties to commit to an ongoing cycle of financial and scenario planning, linked to an annual calendar of ARTF planning and the Afghanistan Partnership Framework (APF) cycle. Throughout, the ARTF will focus on "6+1" thematic operating priorities. Gender and inclusion, climate, conflict sensitivity, anti-corruption, technical assistance, structured portfolio management, and forward planning towards the conclusion of the ARTF post 2025 will all shape ARTF dialogue as PFFP implementation proceeds. Dr. Kerali invited the SC to endorse the PFFP.

#### *b. 2021 Country Portfolio Performance Review*

Deputy Minister of Finance for Policy Nazir Kabiri presented the 2021 CPPR. The annual process was co-chaired by the Deputy Minister of Finance WB Operations Manager with close support from MOF's Aid Management Directorate and the WB ARTF team. It conducted a detailed review of each current and pipeline project in the WB portfolio.

DM Kabiri observed that the CPPR builds a "bottom-up" understanding and enables disciplined management of the portfolio. The review found that despite a challenging operating environment, ARTF projects remain highly aligned with the Afghanistan National Peace and Development Frameworks (ANPDF). The portfolio has been highly responsive to unanticipated turbulence arising from the COVID-19 pandemic and other short-term challenges, including natural disasters. Some of the largest and most central projects continue to perform well, including the Incentive Program, Citizens' Charter, Sehatmandi and others.

As is typical in each CPPR, the review also identified issues that require immediate action; MOF and WB are working closely to address the issues. Implementation challenges are exacerbated by the continuing challenge of high turnover in key project and ministry staff positions. Gender has seen progress, but more is needed effectively to track priorities on gender positions, workplace safety, and implementation of gender goals. Strong design, simplicity and realistic budgeting are priorities for implementation success across the portfolio.

DM Kabiri noted that the WB and MOF are discussing options to cluster future reviews around the most challenging problems; arrangements may be piloted in the mid-year Portfolio

Operational Status Review, which will also check in on CPPR recommendations. He affirmed MOF's commitment to considering re-design or cancellation of projects that do not disburse effectively. He thanked donors for their support and invited the SC to endorse the CPPR.

**1. Discussion and decisions** The co-chairs invited comments on the documents presented for endorsement.

*Australia* appreciated the leadership during a difficult period. Having taken the difficult decision to close its physical embassy, Australia affirmed that it will continue to deliver on its development and humanitarian commitments. ARTF is a priority development program, and Australia has already begun contributions under the new PFFP. Continuing to strengthen outcome reporting, implementing the WBG Strategy for Fragility Conflict and Violence and sustaining attention to gender mainstreaming and fiduciary controls will be important during the PFFP period. Australia complimented MOF on its work in delivering the CPPR and looked forward to continuing joint work on peace planning through the peace working group and the Australia-financed Lessons for Peace program.

*Canada* remains committed to Afghanistan, the Afghan people, retaining its diplomatic presence, and supporting gains of the last 20 years, particularly for the rights of women and girls. Observing that inclusive processes and a focus on gender equality are the most effective means of eradicating poverty and building sustainable peace, Canada encouraged continued gender mainstreaming of ARTF programs. These priorities should be implemented alongside robust fiduciary controls and a sustained emphasis on flexibility. Canada appreciated MOF's commitment meaningfully to tackle challenging anti-corruption reforms.

*Denmark* commended the WB and MOF for the close collaboration in developing the PFFP and completing the CPPR, particularly in the difficult conditions imposed by COVID-19. ARTF is the biggest component of Denmark's support to Afghanistan and will continue to be a priority vehicle for aid delivery. Affirming earlier comments on the importance of anti-corruption, Denmark also called on ARTF partners to sustain the ARTF's flexibility in support of service delivery for the Afghan people. Welcoming news of the interim move of WB international team members to the region, Denmark also encouraged the WB to consider increasing the size of its team to support cross-cutting thematic priorities and commended the CPPR as a useful stocktaking on which regular follow-up would be welcomed.

The *European Union* affirmed that it remains a committed partner to the government of Afghanistan and to the ARTF as a key instrument for government-led programs. The EU will determine financing based on joint assessment of the APF and in particular adherence and progress on its principles. The EU appreciates the PFFP and its built-in flexibility. The planned pipeline of projects aligns well with GoIRA's development vision and the EU's own priorities, including protection of the Afghan people, delivery of quality core services, strengthening institutions, fighting corruption, and building trust by operating in a fully transparent and accountable manner. Climate, gender, and migration remain key EU priorities for mainstreaming across programming and documenting in outcome-level reporting.

*Finland* emphasized the importance of ARTF's support to help GoIRA implement the APF and appreciated the ARTF as a backbone of international assistance. Appreciating the work invested in the PFFP, Finland suggested continued discussion of how to ensure equitable service delivery, joined Nordic+ partners in supporting expanded resourcing for cross-cutting themes and encouraged ARTF partners to support civil society organizations as important facilitating partners in high-risk. The WB thanked Finland for co-chairing the 2020 Afghanistan conference that laid foundations for the ARTF replenishment and expressed appreciation to former Finnish Special Envoy Janne Taalas for his leadership of the conference preparations.



*Germany* affirmed that Afghanistan is a key partner for German cooperation. Germany will remain a solid partner in the ARTF, which is a backbone of international support. A strong ARTF will be needed to ensure core state functions in any future Afghanistan. While taking note of recent and past successes, Germany observed that the current situation is difficult and volatile, which is an important reason to ensure ARTF remains the go-to for securing key functions of the Afghan state. Germany's contributions underline its support to the government's agenda. Military withdrawal does not mean civilian withdrawal, and so commitments from Geneva are more important than ever. Germany has contributed more than US\$ 1.1 billion to ARTF and plans to contribute EU€ 100 million from 2021 through 2024 if conditions allow and based on the successful implementation of the Geneva agenda, including a democratically legitimized government committed to human rights and fighting corruption. Germany thanked the WB and MOF for the PFFP and other materials. These form an excellent basis for making joint planning more robust, flexible, and responsive to the Afghan people, while ensuring attention to cross-cutting issues of gender, conflict sensitivity, monitoring and evaluation, operations and maintenance, and remaining engaged in hard-to-reach areas.

*Italy* thanked the co-chairs for presenting the PFFP and acknowledged the difficulties the planning posed for the WB staff in light of uncertainties and donor financial commitments that are expected to vary annually based on APF assessments. The unique ARTF partnership has enabled an intense consultation that shaped the PFFP in line with the ANPDF, NPPs and APF principles and targets, while maintaining flexibility. Italy supports the PFFP's seven thematic operating priorities and congratulated the WB team for overcoming all of the challenges to deliver a strong document. Italy has supported the ARTF since its inception, with a total contribution of EU€ 200 million. It will sustain 2021 contributions at its 2020 level of EU€ 12.5 million, subject to final approvals, looks forward to continuing the fruitful ARTF partnership.

*Japan* thanked GoIRA and the WB for hosting the SC and commended the leadership in the PFFP and CPPR processes. Japan values ARTF as the largest multi-donor trust fund covering a wide range of reconstruction fields, enabling each donor to focus on its own priority areas while providing coordinated on-budget development financing to the Afghan government. Afghanistan is at a critical juncture, with high levels of ongoing violence and COVID-19. Japan increased its budget to the ARTF in 2021, disbursing US\$ 12.5 million in March in the hopes that this assistance will quickly reach Afghan households to alleviate their suffering.

*Netherlands* appreciated the PFFP and recently published Risk and Resilience Assessment, including extensive engagement with donors. Netherlands stands by its Geneva commitments and looks forward to implementing the PFFP and CPPR recommendations, closely linking the ARTF and APF in the process. The PFFP rightly sets out a flexible approach, so the SC meeting is less an endpoint than an important milestone in an ongoing process. Netherlands would welcome continued dialogue on how to achieve flexibility in practice while sustaining appropriate monitoring and fiduciary controls. Thanking the WB for its work on cross-cutting issues of gender, climate, conflict sensitivity and gender-based violence, Netherlands joined other Nordic+ partners in encouraging expanded resourcing to consider cross-cutting themes.

For *Norway*, ARTF is critical for on-budget support, serving communities, ensuring Afghan ownership and promoting alignment and coordination. Norway welcomed the Risk and Resilience Assessment as a useful guide for strategic discussions and encouraged a sharp focus on fiduciary controls, anti-corruption, gender, civil society and conflict sensitivity. Norway also commended the CPPR as an important monitoring mechanism and recommended regular follow-up on action points in Strategy Group meetings. With resources declining it is important to maintain a narrow portfolio focus that serves citizens' needs, stimulates economic growth, and improves service delivery. Norway welcomed MOF's commitment to a prioritized

portfolio. Ensuring results in a challenging context is essential, and Norway joined other Nordic+ partners in encouraging expanded resourcing to consider cross-cutting themes.

*Sweden* affirmed its commitment to peaceful development. ARTF is a key instrument for Sweden's four-year development cooperation strategy. Implementation of APF principles will guide financing decisions, so the links between the APF and PFFP are appreciated. Sweden looks forward to ARTF policy dialogue, including planning for uncertainty. Gender mainstreaming, conflict sensitivity, and results are increasingly important in the current context and Sweden joined Nordic+ partners in encouraging expanded resourcing for cross-cutting themes. Sweden stressed that ARTF financing should benefit all Afghan men and women.

*Switzerland* commended the PFFP, noting that COVID-19 and rapidly changing dynamics made the work to develop the document challenging. Switzerland encouraged partners to use the PFFP's flexibility to serve all Afghans, even in hard-to-reach areas and encouraged attention to declining economic indicators. Welcoming the news of WB plans to move international staff to the United Arab Emirates as an interim measure for returning teams to Afghanistan, Switzerland encouraged that return to take place as soon as possible. As a sign of its overall support to ARTF, Switzerland has advanced its final 2021 contribution to ensure that ARTF has needed resources to advance the PFFP program.

The *United Kingdom* reaffirmed its commitment to protecting and building on the gains of the last 20 years. Partnership with GoIRA through ARTF has provided essential state stability, institution building, fiscal stability and basic services and a framework for constructive discussions. Flexibility will be at a premium in the current context and the ARTF partnership should continue to plan for a range of scenarios. The UK attaches great importance to APF principles, including human rights, inclusion, and women's rights and thanked AM Payenda for his commitments to anti-corruption measures, which is essential in an environment of declining budgets. Enhanced third-party monitoring has been an important element of fiduciary oversight in this context, protecting all partners. Annual updates to the PFFP to account for the changing context and variable contributions will help ensure the ARTF remains a key vehicle for improving Afghan lives as work towards an inclusive negotiated political settlement that will end the conflict continues. Appreciating the recommendations of the CPPR, the UK stressed the urgency of continuing essential health services under the Sehatmandi, especially critical in light of the coming drought and COVID-19, encouraged expanding resourcing for cross-cutting themes and stressed continuing commitment to the ARTF partnership.

The *United States* thanked the MOF and WB for the partnership reflected in the PFFP. The US commended WB leadership in the context of challenges directly and indirectly related to COVID-19, which has made an important difference. The ARTF has played a key role since its inception, and USAID recently reiterated its strong support to the ARTF in consultations with senior GoIRA leaders. The PFFP and the CPPR offer a good foundation for the work moving ahead to the Senior Officials Meeting. Highlighting the importance of balancing flexibility with sound management and effective monitoring, the US acknowledged the WB's efforts to enhance fiduciary controls. Continuing these efforts will help sustain public support in the US and elsewhere. Echoing earlier comments on the importance of gender and other priorities that are achievable and compelling to Afghans, the US encouraged ARTF partners to deliver public, strong messages of support for the Afghan people to reinforce that civilian engagement continues even as troops withdraw.

The *Asian Development Bank* affirmed its continuing close work with the WB, and especially the ARTF, in Afghanistan. ADB administers the Afghanistan Infrastructure Trust Fund as a vehicle for financing large-scale infrastructure projects. For the next four years ADB has committed substantial grants to catalyze investment in infrastructure. ADB looks forward to

working together with the World Bank in implementing these efforts and initiating policy reforms. As Afghanistan's leading partner in infrastructure development and regional cooperation, ADB works closely with government agencies on issues of fragility and looks forward to joint monitoring of the APF. ADB also supports portfolio reviews and third-party monitoring in its own portfolio and considers it important for ongoing projects to be implemented with appropriate controls fiduciary and safeguards-related controls.

The *United Nations Assistance Mission in Afghanistan* complimented the WB and MOF for developing the PFFP and emphasized the importance of the ARTF as a vehicle for development that has generated important achievements. The challenging context requires continued joint commitment to deliver services for the people of Afghanistan. UNAMA assured ARTF partners of its ongoing support for the PFFP and continued cooperation with the WB.

The *United Nations Development Programme* confirmed its coordination with the WB to deliver integrated, synergized support to GoIRA. UNDP is finalizing its country program document for 2022-2025, planned as a package of approximately US\$ 800 million focused on supporting delivery of the APF and ANPDF. The program will emphasize the linkages between ANPDF and the Sustainable Development Goals. The program will approach planning through the lenses of human rights, sustainability, resilience and conflict-sensitivity, and will employ operating modalities that support implementation in difficult contexts.

*Steering Committee members* thanked outgoing WB Afghanistan Country Director Henry Kerali and Operations Manager Homa Fotouhi for their leadership and commitment in Afghanistan and wished them well in future assignments. Dr. Kerali thanked the SC on behalf of himself and Ms. Fotouhi, and thanked the ARTF and other World Bank teams for their expertise and effort. He welcomed his successor, Melinda Good, who looked forward to continuing the work of the partnership after her arrival on July 1.

**No objections being heard, the co-chairs confirmed that the ARTF Steering Committee endorsed the ARTF FY1400-FY1403 (2021-2024) Partnership Framework and Financing Program and the recommendations of the 2021 Country Portfolio Performance Review.**

### **3. Conclusion by co-chairs**

Dr. Schafer thanked the SC, re-affirmed the WB commitment to sustained engagement in Afghanistan appreciated the value of his visit to Kabul and in-person engagements with counterparts, and assured donors of WB staff commitment to returning to Kabul as conditions allow. He appreciated the hard work of WB team members and the sustained engagement with partners over a difficult year. The WB looks forward to continuing joint work to implement programs under the PFFP and to address Afghanistan's priorities.

AM Payenda thanked partners for the meeting and offered a personal note of thanks to Dr. Kerali and Ms. Fotouhi for their spirit of partnership, which has made an important contribution. He noted that the SC is a testament to the engagement of partners in the ARTF. He re-affirmed MOF's support to the ARTF, not just as a financing mechanism but also as a platform for dialogue, and encouraged ARTF partners to take up the US's suggestion to support the Afghan people with continued strong messages of commitment and hope.