



Management Committee Meeting

Tuesday, June 15, 2021 3:00PM - 5:00PM (GMT + 4:30)
Virtual Format

Minutes of Meeting

MC MEMBERS

Ministry of Finance (MOF)

- Habib Zadran, Deputy Minister of Finance for Finance
- Habib Daftani, Aid Management Directorate

Asian Development Bank (ADB)

- Mr. Narendra Singru, Country Director

Islamic Development Bank (ISDB)

- Dr. Farid Khan, Country Operations Manager
- Mr. Ata Ur Rahman Durrani, Field Representative

United Nations Development Programme

- Mr. Abdallah al Dardari, Country Representative

OFFICIAL OBSERVER - UNAMA

- Mr. Atul Gupta, Lead, Donor Coordination
- Ms. Leslie Torres, Donor Coordination Officer

ARTF SG OBSERVERS

- Sayed Gheyasuddin Sadaat, Canada
- Renata Pistone, Canada
- Natalija Waldhuber, EU
- Edoardo Spacca, EU
- Lope Gallego, EU
- Shekeba Ahmadi, Finland
- David Renshaw, UK
- Shujaiddin Mustaqil, UK
- Seeiar Serat, USAID

WORLD BANK (ADMINISTRATOR)

- Henry Kerali, Country Director
- Atiqullah Ahmadzai, Senior Public Sector Specialist
- Katie Blanchette, ARTF Operations
- Tobias Haque, Lead Country Economist
- Keiko Nagai, ARTF Program Manager
- Najibullah Ziar, ARTF Operations

Summary

The Afghanistan Reconstruction Trust Fund (ARTF) Management Committee (MC) met June 15, 2021. Deputy Minister of Finance Habib Zadran and World Bank Country Director Dr. Henry Kerali co-chaired the virtual meeting. The MC approved an allocation of US \$ 300 million in ARTF financing to support the 2021 Incentive Program Development Policy Grant and provided a contingent approval to allocate US\$ 21.6 million in ARTF financing to support the Incentivizing Reforms in the Attorney General's Office, subject to successful negotiation of project agreements.

1. Welcome and Administrator's update on ARTF Finances

- The WB thanked MC members for their support to the Steering Committee meeting held the previous week, and for the development and endorsement of the new ARTF Partnership Framework and Financing Program (PFFP). MOF appreciated the teamwork of the process and expressed hope that partners would sustain momentum together.
- The WB as ARTF Administrator reported that ARTF began the FY 1400 (roughly calendar year 2021) with a cash carryover from the previous year totaling US\$ 548 million. In the last six months ARTF has received US\$ 225 million in donor contributions and has allocated US\$ 315 million to ARTF projects based on MC approvals. As of end-May 2021, ARTF held a cash balance of US\$ 458 million. In the last few weeks, ARTF has received approximately US\$ 20 million in additional contributions, bringing the cash balance to approximately US\$ 480 million. With these figures in mind, the **Administrator confirmed that ARTF has sufficient funds to finance the two requests presented in the meeting.**

2. Request for MC approval: US\$ 300 million under ARTF Recurrent Cost Window to finance the 2021 Incentive Program Development Policy Grant

- The WB noted that the 2021 IP DPG was one of the new ARTF pipeline projects reflected in the recently endorsed 2021-2024 PFFP. In addition to the requested ARTF allocation of US\$ 300 million, the program will be co-financed with an IDA grant of US\$ 132 million equivalent. The WB Board of Executive Directors will consider the IDA financing for the project on June 24, 2021. The WB thanked MOF for meeting prior actions before the board date and for the anticipated leadership as the program continues. MOF noted that the annual incentive programs are an important source of on-budget financing for GoIRA. Having satisfied prior actions, GoIRA remains committed to advancing the reforms linked to tranche release conditions, which will be overseen by MOF leadership.
- WB Lead Country Economist Tobias Haque presented an overview of the program. He explained that the WB has been providing recurrent operating cost support to GoIRA since 2002. Through the end of 2017 this support was provided via an investment project with features tailored specifically to the Afghanistan context. Earlier this year, an evaluation of that operation concluded that it had achieved broadly positive results. Since 2018, WB support for recurrent costs has been fully incentivized against progress on policy reforms. A three-year series of development policy operations (IP DPGs) conducted in 2018, 2019 and 2020 demonstrated strong results and sustainable impacts in public financial management and fiscal transparency, in engaging women in the civil service and in improving Afghanistan's score in the Doing Business survey among other outcomes. At an approximate annual value of US\$ 400 million, the IP DPG finances around 20 percent of GoIRA's recurrent civilian operating costs.
- The 2021 IP DPG is the first of a new series of annual operations to be designed under a flexible three-year framework of reforms and policy priorities agreed with Government. The program was designed in close cooperation with the ARTF Incentive Program Working Group, including regular check-ins with the ARTF Strategy Group. Among the supported reforms are key policy priorities linked to ongoing Investment Window operations. US\$ 132 million in IDA resources will be mobilized against three prior actions that GoIRA has already completed. ARTF resources of US\$ 300 million will be mobilized against ten outstanding tranche release conditions. If all are completed by November 15, 2021, the full US\$ 300 million will be released. After that date, the tranche value of incomplete reforms declines by 10 percent each month. If any tranche release condition is not met by March 15, 2022, the value of that outstanding tranche will be fully discounted.

- The strategic approach taken for the reforms selected in 2021 reflects the current economic conditions in Afghanistan, including a difficult growth environment, weakening revenue performance and the need to restore confidence and mobilize investment. This approach is fully aligned with the Government's second ANPDF strategy and with its public financial management program, known as the Fiscal Performance Improvement Plan. It fully mainstreams gender, anticorruption and transparency priorities. The program is bolstered by rigorous financial controls. Whilst GoIRA has the ability to allocate funds as it sees fit, every year the ARTF third-party monitor, a firm of chartered accountants, assesses the quality of expenditure. The TPMA arrangements confirm that for every dollar disbursed under the program there is an expenditure that is fully compliant with GoIRA's fiduciary standards, ensuring that the ARTF resources reimburse only expenditures that are eligible for financing under the terms of GoIRA's grant agreement with the WB.
- The difficult circumstances facing Afghanistan call on the ARTF partnership to be flexible and responsive without compromising standards of the program. The WB has been working closely with MOF and ARTF donors to that end. GoIRA/MOF plans to increase staffing to support the program and the coordination it requires with implementing agencies. The WB has also been working with ARTF donors in the IPWG to agree on a mechanism to adjust policy actions in the event shocks are encountered. That process, if triggered, will be very thorough. Modifications will be made only for conditions outside the Government's control and only where agreed by Government and ARTF partners. Any modifications would also be presented to the ARTF MC. The flexibility is merited because of the negative effects that would follow from sudden reduction in ARTF RCW support in the event of an exogenous shock; having a contingency in place in the event of such a disruption is responsible planning. The WB team noted that at present, reform progress is advancing well and there is no current anticipated need to trigger the built-in flexibility.
- UNDP congratulated partners on the program and noted aligns with the priorities in UNDP's next Country Programme, planned to launch in January 2022. UNDP will continue coordinating with the WB to ensure ongoing synergies between the two programs.

The ARTF MC approved the allocation of US\$ 300 million in ARTF resources to the 2021 Incentive Program Development Policy Grant.

3. Request for MC approval: US\$ 21.6 million under ARTF Investment Window to finance the Incentivizing Reforms in the Attorney General's Office (IRAGO) program, contingent on successful completion of negotiations.

- The WB explained that IRAGO continues an European Union (EU) initiative designed as a bilateral project that disbursed funds through the now-closed ARTF Recurrent Cost Window Ad Hoc Payments facility. When the Steering Committee agreed to close the Ad Hoc Payments Facility, it agreed for the WB to develop IRAGO as an Investment Window project so the EU initiative could continue through its planned completion with a standard WB instrument. The project will be financed solely by ARTF, with no IDA co-financing.
- The WB has worked closely with the EU on IRAGO. The WB welcomed EU colleagues to the meeting and expressed particular thanks to the EU's Edoardo Spacca. Mr. Spacca has engaged with the WB on the technically challenging effort to translate a program designed to meet EU requirements into a form that satisfied WB requirements without compromising either institution's standards or the underlying objectives of the original program. The effort required commendable patience, creativity and diligence by EU, GoIRA and WB teams. It is a strong example of ARTF donors and the WB working in close partnership.

- The WB noted that it typically brings projects to the MC only after they have been negotiated. Negotiations IRAGO are not yet complete. As the WB has occasionally done with other programs, it is seeking the MC's *contingent* approval of the allocation, subject to a successful completion of negotiations. The approach is merited first because preparation is fairly advanced and the final approval for the project (which is granted by the South Asia Region Vice President for projects that, like IRAGO, are financed only by ARTF resources) is expected in the next several weeks. Second, as IRAGO was originally endorsed in the 2018-2020 PFFP the WB considers it important to conclude the approval early in the 2021-2024 PFFP period, and finally as a practical measure the WB recognizes that it can be difficult to convene partners in the summer months, which also include the conclusion and start of the WB's fiscal year and a variety of related internal tasks.
- Mr. Spacca of the EU thanked the WB for the cooperation and in particular Mr. Ahmadzai of the WB for his resourcefulness and consistency in working through the technical challenges of aligning the project with both EU and WB systems. He noted that even through the challenges the team remained committed to advancing the underlying reforms, which have been identified to generate important sectoral impacts.
- Senior Public Sector Specialist Atiqullah Ahmadzai explained that the project adapts EU's originally agreed benchmarks into performance-based conditions in the WB investment project. The innovative and ambitious program design aims to move from the input-based programming that has been typical in the justice sector to results-based programming.
- The US\$ 21.6 million in ARTF financing will cover the two remaining years of the EU project, closing in June 2023. The funds will finance 12 WB performance-based conditions corresponding to original 12 EU benchmarks. The program will not finance any inputs, and there will be no project implementation unit. The EU is financing a small off-budget technical assistance facility (one international and one national consultant, which can be expanded as necessary) to work with GoIRA on advancing the reforms. The EU will also retain a third-party verification agent to verify the outcomes; only once this verification has been completed will funds be disbursed. The MOF is responsible for accounting the disbursed funds against eligible expenditures in the Attorney General's Office (AGO); the partners have agreed that financing will be directed to civilian wages and salaries.
- Incentivized reforms are clustered broadly under three components. The first component supports improved workforce management in the AGO, with reforms focused on recruitment, hiring, compensation and life-long learning plans within the AGO. A second component focuses on strengthened organizational performance of the AGO in select areas, including Elimination of Violence Against Women Units, Anti-corruption Units, whistleblower protection, and performance evaluation of AGO staff. The third component focuses on benchmarks related to strengthening the AGO's case load management, including resolution of backlogged cases in line with a clear plan.
- The package of reforms is ambitious for a two-year period, but is focused and clear, and if the AGO successfully implements the measures they collectively have the ability to improve institutional performance of the prosecution function in Afghanistan. With the technical support of the EU and the political oversight by the central government, including from the Administrative Office of the President, the WB believes the AGO has an opportunity successfully to implement the reforms.
- UNDP noted that since it is working closely with the AGO on anti-corruption and justice for women, it may be useful for the EU, UNDP and others actively working with the institution to convene to ensure the complementarity of ongoing efforts.

- ADB thanked the team for the presentation and noted the importance of reforms in this sector. An ADB delivered some technical assistance in the sector that confirmed the need for an ongoing program of support. ADB offered to connect the EU/WB team with the ADB technical team that had delivered the assistance, noting that the work had delivered interesting outcomes and had generated valuable lessons learned about approaches to building capacity in the justice system and supporting the AGO in particular.
- Canada observed that the project document had touched on metrics with respect to gender-based workplace complaints being handled by the AGO and asked if that was a component of the planned performance based results. The EU clarified that there is one benchmark on creation and establishment of a gender equality and workplace office that will deal with complaints that do not represent a criminal offense. For anything else pursued by the courts or EVAW law, the Elimination of Violence Against Women Units are the responsible authority, and the EVAW units have a distinct performance-based benchmark under the program. A third related but distinct benchmark relates to reforms directed at protecting witnesses and whistleblowers.

The ARTF MC approved, on a contingent basis, an allocation of US\$ 21.6 million to the Incentivizing Reforms in the Attorney General’s Office project. The allocation is subject to successful completion of negotiations between the WB and GoIRA. The WB will update MC members when negotiations have been completed.

4. AOB.

- UNDP thanked the ARTF team for their recent support to the secretariat of the UNDP-administered Law and Order Trust Fund for Afghanistan (LOTFA). The LOTFA team had requested a briefing on the ARTF pledging process with the aim of developing a similar event for the LOTFA fund. A LOTFA pledging event is now planned for fall 2021.
- Dr. Kerali noted that the ARTF team had received an internal commendation for work the team has done on the coordinated #ProtecttheGains communications campaign to support the 2020 Afghanistan Conference and ARTF replenishment. He congratulated the ARTF team and the IP DPG and IRAGO teams for the successful presentations.