



**MINUTES**  
**ARTF Incentive Program Working Group Meeting**  
**28<sup>th</sup> January 2021**

**Agenda item #1: 2021 Incentive Program allocation and budget**

- **World Bank** noted that the Ministry of Finance had requested to delay finalization of the Incentive Program policy actions for 2021, to allow time for the new Minister of Finance to provide guidance. ARTF Partners concurred that a delay of up to two weeks would be acceptable, with a final matrix to be agreed by mid-February at latest.
- **Ministry of Finance** requested the World Bank / ARTF clarify the amount of funding to be provided through the 2021 Incentive Program. Ministry of Finance noted that US\$400 million from the Incentive Program had been included in the budget, and that any reduction in the amount provided through the Incentive Program would risk a larger deficit and potential inconsistencies with the IMF program. **World Bank** suggested that this issue be raised for discussion at the next ARTF Strategy Group Meeting.

**Agenda item #2: 2021 Incentive Program Policy Actions / Draft Matrix**

- Following guidance from ARTF partners at the previous meeting (minutes available in shared folder), **World Bank** presented a proposed intervention logic for the 2021 IP. This logic was aligned with ANPDF II pillars, and the outcomes discussed and agreed at the previous IPWG meeting:
  - Measures to manage upcoming fiscal challenges and sustain the core functions of government to support service deliver;
  - Measures to manage financial sector risks and facilitate medium-term recovery from the COVID-19 crisis.
- **EU** questioned why the ANPDF 'peace building' pillar had been omitted. EU also noted the importance of including gender-related actions, highlighted the need for equality as an objective of payroll/pension reforms, and suggested a specific action related to the new migration policy.
- **World Bank** noted that additional specific suggestions were welcome, and that gender considerations had been mainstreamed throughout the proposed program. The World Bank also noted:
  - The proposed structure was consistent with the framework presented and discussed during the previous IPWG meeting (minutes available in the shared folder);
  - It will be important to somehow constrain the scope of the IP if it is to have sufficient focus and impact in selected areas;
  - World Bank experience with Development Policy lending in Afghanistan and internationally highlights the importance of incentivizing reforms where the World Bank has an ongoing technical engagement. The World Bank is reluctant to include actions that move beyond areas of technical expertise or current engagement.
- **World Bank** presented the initial draft policy matrix and invited feedback from IPWG members. The following topics were covered in the subsequent discussion:



- **Gender, disability, and inclusion.** IPWG members voiced disappointment regarding the perceived exclusion of gender and inclusion considerations. World Bank highlighted that many proposed actions would have positive and significant inclusion and gender impacts and results, and that gender and inclusion had been a primary consideration in selection of actions. World Bank agreed to revise wording to highlight these linkages. World Bank noted that gender disaggregated results indicators can be identified for several policy actions to help track gender impacts. World Bank invited further suggestions for specific policy actions on gender and inclusion.
- **Need for gender and social impact analysis.** IPWG members noted the need for gender and social impact analysis of the program and policy actions. World Bank noted that thorough poverty, gender, social, and environmental impact analysis is required for all World Bank operations. Gender analysis and poverty analysis, including advice from gender and poverty teams had already been reflected in the selection of policy actions. A full poverty and social impact assessment would be included in any document at concept, decision, and approval stages.
- **Support to actions versus outcomes.** IPWG members questioned why results-based targets had been excluded from consideration. **World Bank** noted that World Bank policy requires Development Policy Grants to support 'significant policy and institutional reforms' rather than outcomes / results. World Bank noted that a full results framework would be developed for the operation, with which results based targets will be established, tracked, and reported on, including with a formal Implementation Completion Report within six months after project closure.
- **Need for anti-corruption measures.** IPWG members emphasized the need for actions to address corruption. **World Bank** emphasized direct linkages between proposed actions and anti-corruption objectives including through improvement management of public expenditure, increased use of electronic systems, reduced discretion in public sector hiring and granting of allowances, and increased transparency and oversight of SOEs, SOCs, and SOBs. **World Bank** invited further specific suggestions for actions to address corruption.
- **Sustainability / reporting.** IPWG members questioned the utility of some policy actions related to increased reporting on expenditures and fiscal risks. **World Bank** noted that these policy actions are required under the World Bank Sustainable Debt Financing Policy, and that the actions were discussed and agreed with the IPWG in August 2020 (available in shared folder).
- **Previous pension reform experiences.** IPWG members noted that previous efforts towards pension reform had failed and questioned the viability of the current proposal. World Bank noted that slow progress with previous reform efforts was a strong rationale for inclusion in the Incentive Program. World Bank also noted that technical changes to the proposed reform process had been agreed with Government to address major political challenges faced during the previous attempt.
- **IPWG** members requested the World Bank to provide a short explanation and rationale for inclusion of proposed actions to facilitate further discussion. The World Bank agreed this would be very useful and will produce the requested document by the time of the next IPWG meeting.



- **World Bank** noted that further discussion is required to reach consensus on the content of the reform matrix. World Bank reiterated the request for specific suggested policy actions and highlighted that not all donor priorities can be accommodated given the shared desire to support a limited number of policy actions.
- **World Bank** proposed a follow-up technical discussion on policy actions during the week of 1 February in the presence of World Bank technical teams.

### **Agenda item #3: Update on Evaluation of the Recurrent Cost Window**

- **UK** noted that they have been invited to provide comments on behalf of ARTF partners at the Decision Meeting for the Evaluation Report on the Recurrent and Capital Cost Project. The meeting is scheduled for the 2<sup>nd</sup> February. IPWG partners are invited to submit any comments for incorporation into the review process as soon as possible.

### **Attachments:**

- Draft policy matrix and policy action long-list
- Detailed response to donor-suggested actions
- Presentation on program design

*All attachments are available in the shared folder.*