



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Strategy Group Monthly Meeting October 2020

Wednesday October 14, 2020
4:30-6:30 PM Kabul Time
Virtual Format

MEETING SUMMARY

The ARTF Strategy Group (SG) met Wednesday, October 14, 2020. Representatives of 14 donor partners,¹ the Ministry of Finance (MoF) (Deputy Minister of Finance Habib Zadran), and the ARTF Administrator (World Bank) attended. The World Bank and Ministry of Finance co-chaired the meeting.

Summary

The ARTF Strategy Group discussed preliminary feedback on the initial discussion draft of the ARTF Partnership Framework and Financing Program FY1400-FY1403 (2021-2024), confirmed the agenda for the capitals-focused ARTF replenishment discussion planned for the margins of the WB-IMF Annual Meetings, reviewed the process for updating the ARTF administration agreement and follow-up actions from the in-depth fiduciary review of the National Horticulture and Livestock Project, and discussed regular updates.

1. Preliminary feedback on initial discussion draft of ARTF Partnership Framework and Financing Program 2021-2024.

- The WB had disseminated an initial discussion draft of the 2021-2024 PFFP to Kabul-based donors earlier in the week before the meeting. The discussion drafts builds on the outlines discussed and refined in capitals meetings in May and in a series of discussions in Kabul from July-September. It also builds on the discussions of thematic operating priorities the SG held in August and September. As such, the draft is a joint product and, it is hoped, one that reflects a strong continuity from the discussions held among ARTF donors over the last months. The document outlines the (i) ARTF governance, current program, financial standing, (ii) ARTF achievements so far, (iii) strategic priorities, (iv) thematic priorities, and finally (iv) indicative financing program (taking both scenario-based and building block approach). It also includes a number of annexes with background information on the ARTF; included as a reference resource for donor partners, in line with our past practices.
- Recognizing that donors may not have had time for a thorough review of the draft in the short time since it was distributed, the SG discussion aims to address key questions and solicit preliminary comments before the WB distributes the draft to capitals ahead of the October 20 meeting planned on the margins of the WB-IMF Annual Meetings. The document itself will not be the focus of discussions on the 20th, but the WB team considers it important background for the meeting, before joint work to finalize the document proceeds in Kabul. The WB invited

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



partners to offer preliminary comments during the meeting and to take additional time to provide more detailed comments on the draft, and to submit written input by October 26.

- The WB also clarified that the pledging form presented with the SG invitation was not requesting clarity on financial commitments during the October SG meeting, but was rather designed to flag for partners the types of information that would be most helpful to the WB as it determines the resource envelope for the ARTF in the next financing period, which will be needed before the draft can be fully finalized.
- Comments appreciated the quality of the draft document, its clarity and detail, and the WB's reflection of donor priorities expressed in earlier discussions, including the importance of flexibility and scenario-based planning, thematic emphases on gender (in particular gender-based violence and sexual exploitation, abuse and harassment) environment, and conflict sensitivity, and sustained attention to anti-corruption and fiduciary measures.
- Partners previewed that more detailed comments are expected to emphasize the importance of articulating an approach to managing/discussing scenarios in the context of ARTF governance bodies. The ARTF governance structures should conduct advance planning to position the ARTF in line with possible changes to the development agenda that could arise from the peace process. Donors also stressed the continued importance of managing portfolio size with strong prioritization and portfolio management.
- On portfolio-wide issues, comments appreciated the work of the in-depth fiduciary reviews. Donors would find it helpful to understand selection process, and for some consultation to be conducted with donors before new in-depth fiduciary reviews are initiated. One option might be to consider an annually updated master fiduciary review plan, and comments suggested that Sehatmandi or the Citizens' Charter programs might be appropriate candidates for in-depth reviews in the future. Donors would welcome more localized and Afghanistan-specific detail in the gender section of the PFFP, including emphasis on the role of the Gender Working Group. Comments also noted that donors would value efforts under the next PFFP to sharpen the intervention logic and theory of change. These measures could support continued improvements in ARTF-wide reporting. Donors noted that outcome-level reporting and anti-corruption measures are increasingly important at capitals-level to sustaining ARTF contributions. The European Union noted that it also seeks to prioritize internally-displaced persons and returnees across all of its portfolio investments, and flagged that donor visibility remains a priority for the EU in its trust fund engagements with the World Bank.
- A question asked why political economy analysis is referred to as a "secondary priority" in Section 4(H). The WB team explained that this text does not signal that the topic is less important than other research areas, but rather that it falls outside the range of "core analytics" that the WB office in Afghanistan is required to develop and must prioritize in its analytical program.
- Recognizing that new project portfolio planning is at this stage highly indicative (subject to greater clarity from partners on the resource envelope to be made available), a comment observed that from the perspective of aiming to build self-reliance, further dialogue may be required if the resource envelope falls within the "low-case" scenario to appropriately balance



service delivery and growth-promoting projects, as well as continued attention to civil service reforms, which several donors see as an important priority.

SG members confirmed that they would provide written comments on the initial discussion draft of the ARTF PFFP 2021-2024 by October 26 and welcomed the WB's plan to distribute the initial discussion draft to capitals ahead of the planned capitals-focused meeting on October 20.

2. Overview of “A Stronger ARTF to Sustain Development Gains for All” virtual event on the margins of the 2020 WB-IMF annual meetings

- The WB outlined plans for the October 20 capitals-focused discussion on ARTF replenishment planned on the margins of the WB-IMF annual meetings. The objectives of the event are to support senior officials' awareness at the mid-point of the 2021-2024 PFFP preparation, to build consensus around an approach to finalizing the document, and more broadly to discuss the positioning of the ARTF in a context of Afghanistan's development in the coming years.
- The meeting is expected to include remarks by the WB on the ARTF replenishment process and an overview of the PFFP, an update from the Acting Minister of Finance on the second Afghanistan National Peace and Development Framework, remarks by the International Finance Corporation on private sector contributions to Afghanistan's development agenda, and updates from the Afghanistan 2020 Conference planning team on conference preparations. ARTF partners will also be invited to share comments and perspectives on the initial discussion draft of the PFFP.
- DM Finance noted that GoIRA had very much appreciated strong participation from the international community at the Afghanistan 2020 conference launch event and also looked forward to participating in the October 20 meeting on the ARTF PFFP, an important vehicle for conference pledging.

The SG endorsed the proposed agenda for the October 20 capitals-focused meeting.

3. ARTF administration agreement updates

- The WB updated donors on actions that followed the Steering Committee endorsement of the Nordic+ Group's proposal to seek amendments to the ARTF Administration Agreement,
- In the first week of October, the WB began presenting the ARTF Admin Agreement amendments to active donors for signature. The first step was to re-confirm the names and identifies of each contributor's signatory. As of October 14, confirmations from several active donors are still pending, and eight out of the 18 active donors had completed their signature process. Most are expected to have completed signature by the end of October; a few have more complex legal procedures and will require additional time to finalize the documents.
- All donors that have contributed to the ARTF even once and have not withdrawn from the fund must agree to and sign the amendments in order for the revised agreement to become fully effective. There are 16 inactive donors. On behalf of the proposing donors, the WB has begun outreach to these inactive partners, through their WB Executive Director offices in Washington DC. This processes is expected to be more time consuming and to require some joint effort



to reach out to inactive partners. To aid that joint outreach, the WB will add standing updates to the weekly email message to ARTF donors.

- The WB advised that should be prepared for the possibility that some signatures may still be outstanding when the PFFP itself is finalized. This will not prevent work on select shared commitments from the revised amendments (such as a results framework) from progressing, but it will mean the amendments do not take legal effect until the signatures are obtained or the inactive donors can be exited from the ARTF.

The SG re-confirmed active ARTF donors' intent to sign the updated ARTF Administration Agreement Annex on Standard Terms and Conditions Governing Contributions to the Afghanistan Reconstruction Trust Fund, and voiced support for the WB's outreach to seek inactive donors' signature on the document or exit from the TF.

4. In-depth fiduciary review of National Horticulture and Livestock Productivity Project (NHLP)

- The WB recalled that at the August SG meeting, the WB fiduciary team had updated partners on the details of the NHLP in-depth fiduciary review outcomes. Since that briefing, MOF reports having advanced the process of refunding NHLP's ineligible expenditures to the ARTF. The WB expects a refund of approximately US\$ 1.17 million (US\$ 1,173,040) in the next week.
- Ahead of the October meeting, the WB team also shared the non-public synthesis report of the NHLP in-depth fiduciary review. The report provides significant detail on the methodology, the findings, and the lessons drawn from those findings. Details of the report align with the presentation donors received in August; the aim of providing the report is to ensure full transparency to ARTF donors on the review process, particularly ahead of the November pledging conference.
- The non-public report also touches on achievements of the NHLP project because it is important to stress that even alongside challenges and gaps in fiduciary management, projects can and do deliver results. It is rare that a project is perfectly implemented, and it is equally rare that gaps in implementation completely negate the value of project outcomes. This balance is an important factor to consider in applying the lessons of the review.
- A comment thanked the WB for sharing the update and noted that the substance of the report had been well-covered in the earlier briefs. While some of the findings are disappointing, they do demonstrate that the systems and controls are working effectively. A robust follow-up on portfolio-wide recommendations will be important, and this point underscores the importance of considering ministry absorptive capacity and the overall size of the portfolio in planning the next PFFP. Another comment observed that given the challenging context, partners implementation challenges are not unexpected. The WB's efforts to follow up rigorously are appreciated. Donors would welcome dialogue on how to support GoIRA's engagement on these improvements and encouraged discussion of concrete measures in the ARTF PFFP.
- Donors noted that in due course they would likewise welcome an update from INT regarding the outcomes of questions referred to them out of the in-depth fiduciary review. The WB confirmed that it will continue to schedule periodic updates from INT to the ARTF donor group.



SG members appreciated the report of the in-depth fiduciary review and confirmed that follow-up questions, if any, will be directed to the WB fiduciary and ARTF teams. Donors indicated that they would appreciate an opportunity for a question and answer session with the in-depth fiduciary review team.

5. Updates

- The October GWG meeting reviewed the pipeline Early Warning, Early Action Early Finance (ENETAWF) project. GWG members commended the ENETAWF gender presentation as one of the strongest and most focused project presentations discussed recently in that forum. GWG is working jointly on comments to the draft PFFP. The group has thanked Australia for serving very effectively as a co-chair and has invited Australia to continue in that role for the next six months.
- As of October 2020, if all previously announced pledges are contributed as planned, the WB is projecting that the ARTF will hold an unallocated cash balance of US\$ 292.45 million at the end of the calendar year/2018-2020 PFFP period. Of this sum, US\$ 250 million is expected to be required for known, planned commitments to the 2021 Incentive Program and the next phase of the Sehatmandi basic health project, with a contingency of approximately US\$ 50 million as a reserve in the event some pledges are late to materialize.

6. AOB

- None.