

Summary of Discussions ARTF Donor Meeting London, 29 January 2010

The quarterly meeting of the ARTF donor steering committee was held in London on January 29, 2010 in conjunction with the international conference on Afghanistan held on January 28, 2010. Opening the meeting, Nick Krafft, World Bank Country Director, noted linkages with the previous day's discussions particularly with regard to Afghan ownership, aid effectiveness and a target for increasing the amount of aid delivered on-budget.

Mark Lowcock, Director General of DFID, thanked the Bank for its management of the ARTF and in helping it evolve to meet new challenges and priorities. The introduction of the ARTF Financing Strategy was another step in the fund's evolution to match Afghanistan's needs. He supported the view that Government should have increased responsibility for development spending and priorities, but that this needed to be matched by efforts at improving fiscal sustainability, ensuring results and maintaining the sound fiduciary oversight that ARTF currently offers. Care should be taken that the new trust fund for reintegration and reconciliation avoided overlapping mandates with other programs already financed by the ARTF.

The Minister of Finance, Omar Zakhiwahl, urged donors to give Afghans a larger stake in the management of donor resources, including the ARTF. He acknowledged that donors had deep concerns about corruption and the capacity of Government to effectively use more financing. He said that Government was addressing these issues through a new anti-corruption strategy and by enhancing its ability to manage the risks associated with increased funding. The Government, for example, was planning for a risk-based assessment of eight Afghan institutions responsible for 80 percent of expenditures. In parallel, it was critical to undertake public administration reform and build capacity at national and sub-national levels. The Minister noted that the ARTF's Incentive Program (IP) was itself a useful tool for strengthening the government's reform agenda.

The Ministry of Finance presented the draft three-year ARTF Financing Strategy which aims to support a multilateral basis for planning ARTF allocations and a more predictable multi-year development framework. The proposed program reflected the Government's development priorities in increased allocations for agriculture, irrigation and transportation which have been under-funded to date.

Donors welcomed the work of the ARTF in delivering development results, aid coordination and policy dialogue. There was very broad support for adopting a multi-year financing strategy, as presented by the government, which could be finalized before the Kabul conference in spring 2010. In the course of the meeting, donors identified a number of issues that would require further consultation and analysis as the strategy developed:

- An increased focus on infrastructure would require careful coordination with other donors particularly for bigger projects where other players, including the ADB, were already involved.
- New investments should not come at the cost of neglecting the ongoing portfolio particularly in the light of delays already occurring in the implementation of some ARTF programs.

- Increased reporting and accountability may be required of the Steering Committee in the allocation of ARTF funds if donor governments are going to be convinced to reduce their level of preferencing. Likewise, the ARTF, like other funds, would have to show robust accountability and monitoring, including at the provincial level, of results.
- It would be necessary to identify, as appropriate, how the development clusters being introduced by Government could be used in conjunction with the ARTF to strengthen inter-governmental coordination, generate synergies from ongoing programs and develop better national programs.
- Questions were raised about how the ARTF delivers results in different regions of Afghanistan, particularly with regard to the share of financing to different provinces and the difficulties in result monitoring in the areas most deeply impacted by insecurity. This was particularly important in the context of domestic perceptions in donor countries of high levels of corruption and limited capacity. While some donors looked towards more funds going to the areas of insurgency, others urged caution pointing out that more secure areas were getting lower levels of funding while being better able to deliver on results.

In addition to presenting a portfolio review and status update on the ARTF, the Administrator presented the ARTF fiduciary framework. The presentation highlighted the procedures in place to ensure proper financial management and explained how these minimized the risk of ARTF financing being diverted or tainted by corruption. This framework was based on the Government's own fiduciary standards and then enhanced by ARTF-specific procedures which corrected for weaknesses. Donors welcomed the presentation noting that the ARTF and its control framework was a useful model with lessons for the management of donor funds - a follow up presentation may be offered in Kabul. The suggestion to increase in-situ testing of project expenditure under the ARTF was welcomed. Donors noted that it was difficult to communicate to domestic audiences the difference between the perceptions of corruption and the quality of financial management practiced by MoF and the Administrator in the handling of ARTF.

The Minister of Finance announced new measures to protect against the increasing levels of corruption in the government, in particular focusing on procurement and payments. He also recognized the need to empower district and provincial governors who currently did not have access to operational funds. The Minister urged a balance in funding secure and insecure provinces – and cast doubt on the ability of quick impact projects as a tool of reducing regional conflict. Rather, he urged investments in potential growth poles that would yield increased returns.

Finally, the meeting expressed its continued support for the National Solidarity Program and the lessons it offered about how best to deliver aid. The government suggested an increase in NSP's scope, encouraging other line ministries, such as IDLG and the Ministry of Agriculture, to use the CDCs as entry points for their own programs.

In closing, Mr. Krafft and the Minister stressed that many of the issues raised would be discussed and developed over the coming months. They welcomed the increased contributions that donors would be making to the ARTF and acknowledged the need to continue to address issues of fiduciary controls and the delivery and monitoring of results.

Attendees:

	Name	Designation	Country/Institution
Management Committee	H. E. Omar Zakhilwal	Minister of Finance	Afghanistan
	Dr. Mustafa Mastoor	Deputy Minister of Finance	Afghanistan
	Mr. Sid Ahmed Dib	Executive Director for Afghanistan	Afghanistan
	Mr. Samiullah Ibrahim	Advisor to Executive Director	Afghanistan
	Ms. Tia Raappana	Advisor to the Minister	Afghanistan
	Ms. Gretchen Biery	Advisor to the Minister	Afghanistan
	Dr. Shah Mehrabi	Advisor to the Minister	Afghanistan
	Mr. Nicholas J. Krafft	Country Director	World Bank
	Ms. Mariam J. Sherman	Country Manager	World Bank
	Ms. Josephine Bassinette	Lead Operations Officer	World Bank
	Mr. Paul Edwin Sisk	Lead FM Specialist	World Bank
	Mr. Hugh Riddell	Operations Officer	World Bank
	Mr. Mark Ward	Special Advisor on Development to SRSG	UNAMA
	Mr. Craig Steffensen	Country Director	ADB
	Mr. Ajay Chhibber	UN Asst. Secretary General & UNDP Regional Director for Asia & Pacific	UNDP
Mr. B. Murali	Dy Chief of South & West Asia Division & Programme Adviser for AFG	UNDP	
Donors	Mr. Ric Smith	Special Representative to Afghanistan & Pakistan	Australia
	Ms. Natasha Smith	Development Counsellor	Australia
	Mr. Bob Johnston	Director General, Afg. and Pakistan Task Force	Canada
	Mr. Stephan Schönemann	Deputy Head, Department for Stabilisation	Denmark
	Mr. Dirk Meganck	Director for Asia, DG EuropeAid	EC/EU
	Mr. Micha Ramakers	Afghanistan Desk, DG EuropeAid	EC/EU
	Mr. Paul Turner	Afghanistan Desk, DG External Relations	EC/EU
	Mr. Rauli Suikkanen	Deputy Director, Asia & Oceania, Ministry of Foreign Affairs	Finland
	Mr. Niko Heimola	Desk Officer for Afghanistan, Ministry of Foreign Affairs	Finland
	Mr. Beachet Nicolas	General Directorate for Treasury, Industry and Employment	France
	Mr. Jens Clausen	Afg/Pak Principal Country Manager at KfW	Germany
	Mr. Martin Kipping	Desk Officer, BMZ	Germany
	Mr. Donal Kenneally	Counsellor, Irish Aid	Ireland
	Mr. Hiroshi Oka	Japanese embassy, UK	Japan
	Mr. Katsunori Ashida	Deputy Director, Country Assistance Planning, Ministry of Foreign Affairs	Japan
	Mr. Hubert Wurth	Ambassador of Luxembourg to the Court of St. James's	Luxembourg
	Ms. Angèle Da Cruz	Counsellor	Luxembourg
	Mr. Koen Davidse	Director of the Peace Building and Stabilisation Unit	Netherlands
	Mr. Huub Alberse	Policy Officer Afghanistan	Netherlands
	Mr. Janis B. Kanavin	Assistant Director General, Ministry of Foreign Affairs	Norway
	Mr. Tom Eriksen	Senior Adviser, M&F Section, Ministry of Foreign Affairs	Norway
	Mr. Mathias Otterstedt	Deputy Director Afghanistan, Ministry of Foreign Affairs	Sweden
	Ms. Maria Tropp	Analyst, Afghanistan Team, SIDA	Sweden
	Mr. Mark Lowcock	Director General, Country Programs, DfID	UK
	Mr. Jim Drummond	Director, South Asia Division, DfID	UK
	Mr. Marcus Manuel	Director, Pan Africa Strategy & Programs, DfID	UK
	Ms. Pauline Hayes	Head, DfID Afghanistan Designate, DfID	UK
	Mr. Tim Foy	Deputy Head, DfID Afghanistan	UK
	Mr. Anthony Wayne	Ambassador for Development and Economic Affairs	US
	Mr. James Bever	Head of the USAID/Washington Afg. Pak. Task Force	US
	Mr. Larry McDonald	Deputy Assistant Secretary for Technical Assistance Policy, US Treasury	US
	Ms. Katherine B. Hadda	Deputy Coordinating Director for Development & Economic Affairs, US Treasury	US
	Observers	Mr. Enrique A. Gelbard	Mission Chief, Afghanistan
Mr. Masood Ahmed		Director, Middle East and Central Asia Department	IMF
Mr. Paul Koets		Monitoring Agent	PwC
Ms. Nita Wink		Monitoring Agent	PwC