

ARTF DONOR MEETING
LONDON: 29 JANUARY 2010

Administrator's Update: Sy1388

The slide features a white background with a horizontal bar at the top. The bar is divided into two sections: a solid orange rectangle on the left and a solid blue rectangle on the right. The text 'ARTF Overview' is written in white, sans-serif font across the blue section. Below the bar, the text 'Retrospective and evolution' is centered in a dark brown, sans-serif font.

ARTF Overview

Retrospective and evolution

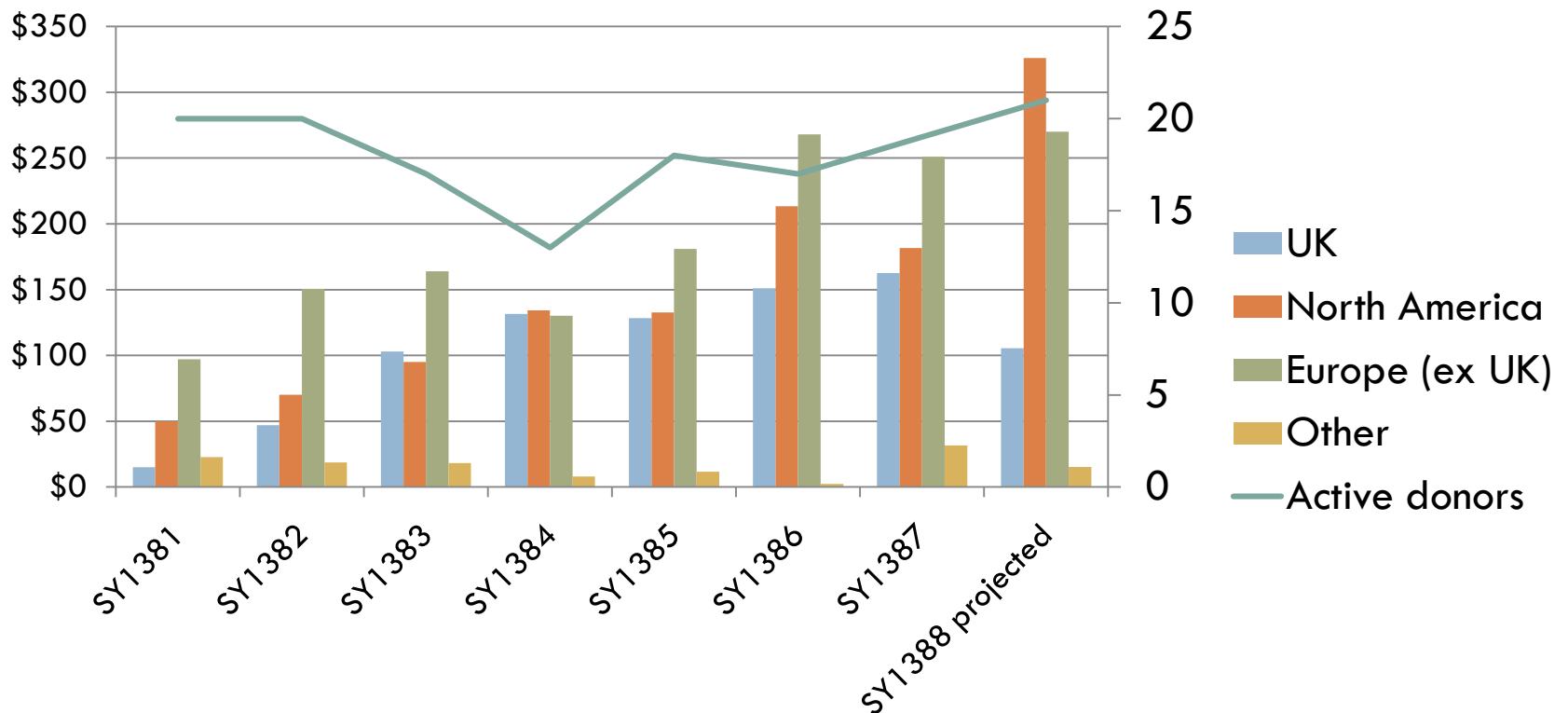
ARTF – an evolving program

- Emergency reconstruction → development fund
 - ▣ Shifting from recurrent to development expenditure
 - ▣ Recurrent ‘window’ now a platform for policy dialogue
 - ▣ Development ‘window’ aligning behind national priorities
- Drivers of the evolution:
 - ▣ Donors & Afghan government – ARTF quarterly meetings
 - ▣ Two independent evaluations
 - ▣ Country context...

Evolving context for ARTF

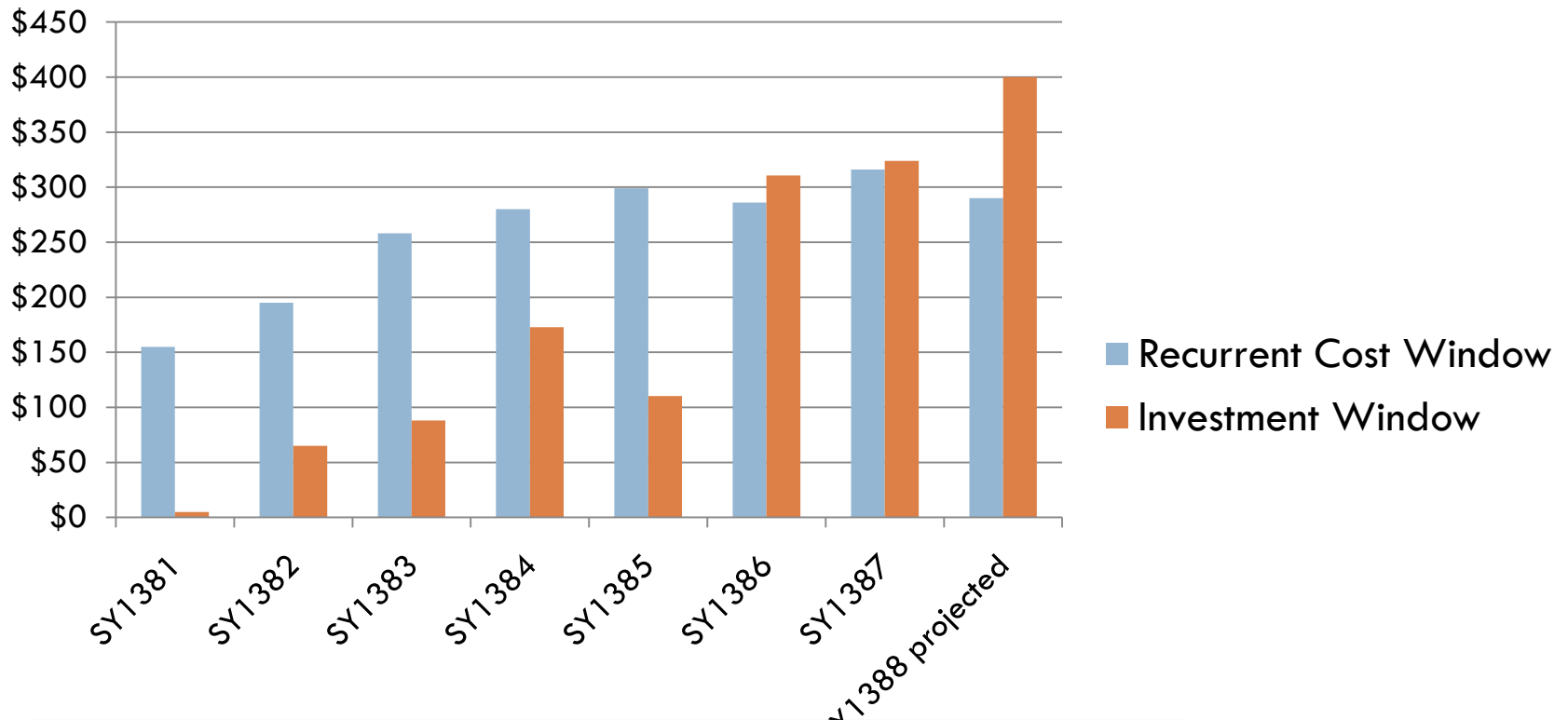
- 'Consensus' on the benefits of Afghan-led reconstruction:
 - ▣ Led to increases in on-budget support
 - ▣ Support for pooled funding
 - ARTF is receiving far larger contributions
- But equally increasing donor need for:
 - ▣ Robust fiduciary arrangements
 - ▣ Results & impact
 - ▣ Mutual accountability & dialogue
 - ▣ Effective mechanisms for coordination of assistance

ARTF Donor Activity



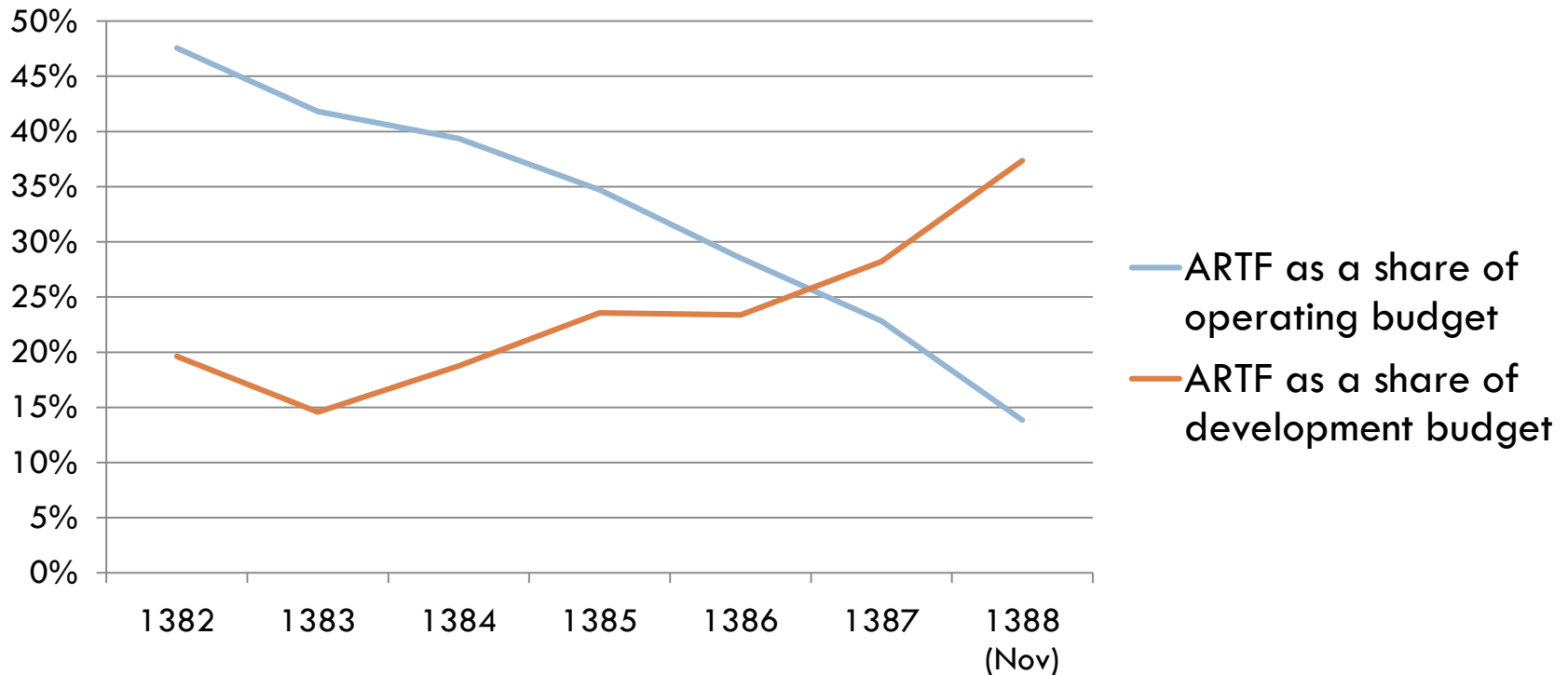
Major increases in funds available in the last three years.
Core group of ARTF donors have remained consistent.
Healthy mix of donors. US increasing its contributions.

From emergency to development...



As funds increase, so ARTF has developed into a development financing vehicle. Over US\$1.4 billion invested in development programs.

ARTF as a share of Core Budget



ARTF is a major source of financing for the Core Budget.
Although declining – recurrent costs still significant.
ARTF donors have major stake in GoA performance.

ARTF Development Results

- Rural Development
 - ▣ Rural connectivity: 27,000 villages & 3,000kms of roads
 - ▣ 22,000+ communities through NSP
- Education
 - ▣ Back to school: 6.3m children, of which 2.2m girls
 - ▣ Nearly 10,000 school management committees
- Microfinance
 - ▣ Nearly 1/2 million clients, of which 60 percent women
 - ▣ 26 provinces, 310 branches
- Infrastructure
 - ▣ Access to reliable electricity: 100,000 households along the northeast power corridor



ARTF today

Portfolio Review

SY 1388 highlights

- 21 donors are currently pledging \$717 million for SY1388
 - up from \$626 million in SY1387
 - Preferences at 48% of total pledge
 - Paid in to date: \$600 million
- \$117 million in outstanding payments are due for SY1388
 - Early payments support the budget cycle
- ARTF commitments during SY1388: \$364 million
 - \$145 million for the recurrent window
 - \$220 million to the investment window
- ARTF disbursements during SY1388: \$440 million
 - \$222 million for operating expenditure
 - \$218 million through national programs
- Tranche II: new cash management strategy for ARTF balances
- Delay in 1387 audits : no new commitments since September 2009

Sy1388 New Financing, to date

Agriculture & Rural Development

NSP II	\$100m	Expanding NSP II across 5,000+ villages in 359 districts
NERAP	\$30m	Scaling up the national rural access program. The grant supports the rehabilitation of 153 km of secondary and 72 km of tertiary roads.

Infrastructure

Power Systems Development	\$35m	Scaling up power supply along the North East Power System
Water Resources Development (TA)	\$5.5m	Strategic river basin planning with MEW. Phase I support.

Governance & Capacity Building

MCP	\$5m	ANDS monitoring & ongoing management positions across government.
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Human Development

EQUIP II	\$35m	Financing the NESP; new schools, teacher training and institutional reform
Skills Development Program	\$9m	Rehabilitation of NIMA & academic partnering

ARTF has committed \$219.5 million in support of government national programs in Sy1388.

Sy1388 New Financing, outstanding

Agriculture & Rural Development

ARTF Agriculture x2	\$[]m	Agricultural inputs delivery systems & on-farm water management
Horticulture & Livestock	\$9m	Supporting the restructuring of HLP
NSP II	\$100m	Second phase of support in SY1388
NERAP	\$20m	Second phase of support in SY1388

Infrastructure

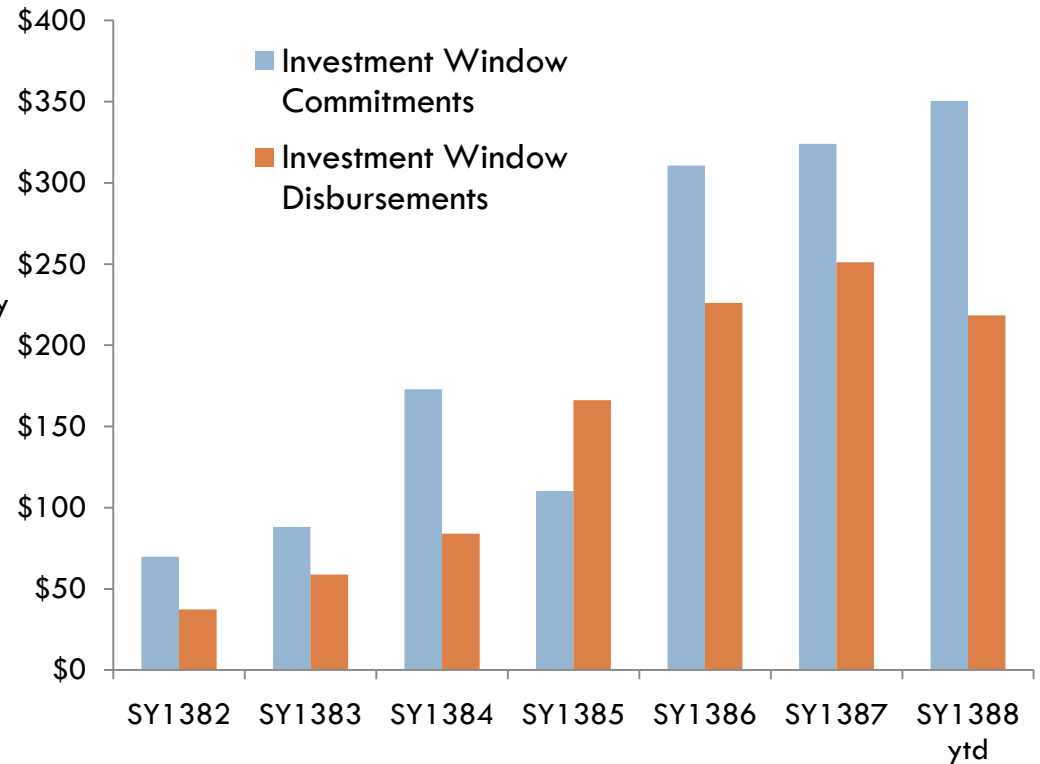
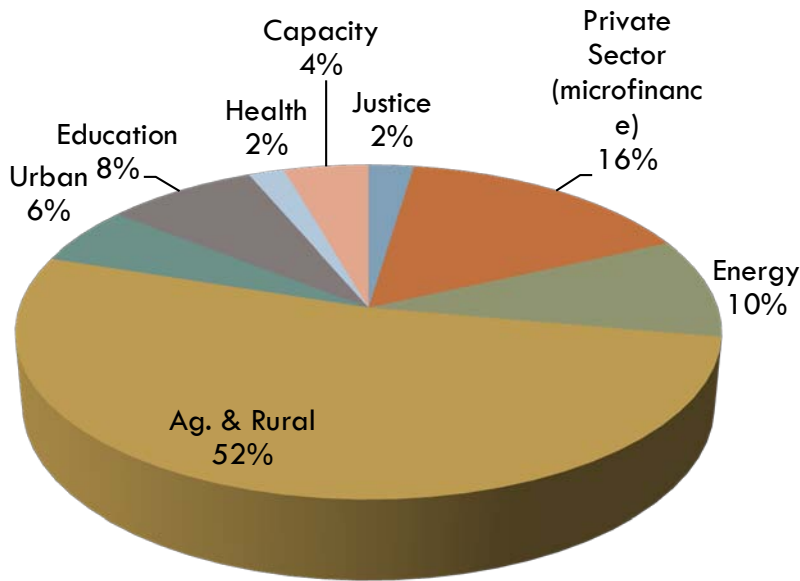
Power Systems Development	\$25m	Second phase of support in SY1388
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Human Development

SHEP	\$5m	Ongoing support for rehabilitation of core universities
Basic Package of Health Services	\$22m	ARTF support for national healthcare
EQUIP II	\$25m	Second phase of support in SY1388

ARTF has a large pipeline for SY1388. Early payments facilitate early mobilisation & smoother implementation.

Portfolio Review (includes expected Feb allocations)



- 22 active ARTF investments at \$1,162 million
- Disbursements at 66 percent (\$769 million)
- 4 problem projects (urban infrastructure)

ARTF & Government Clusters

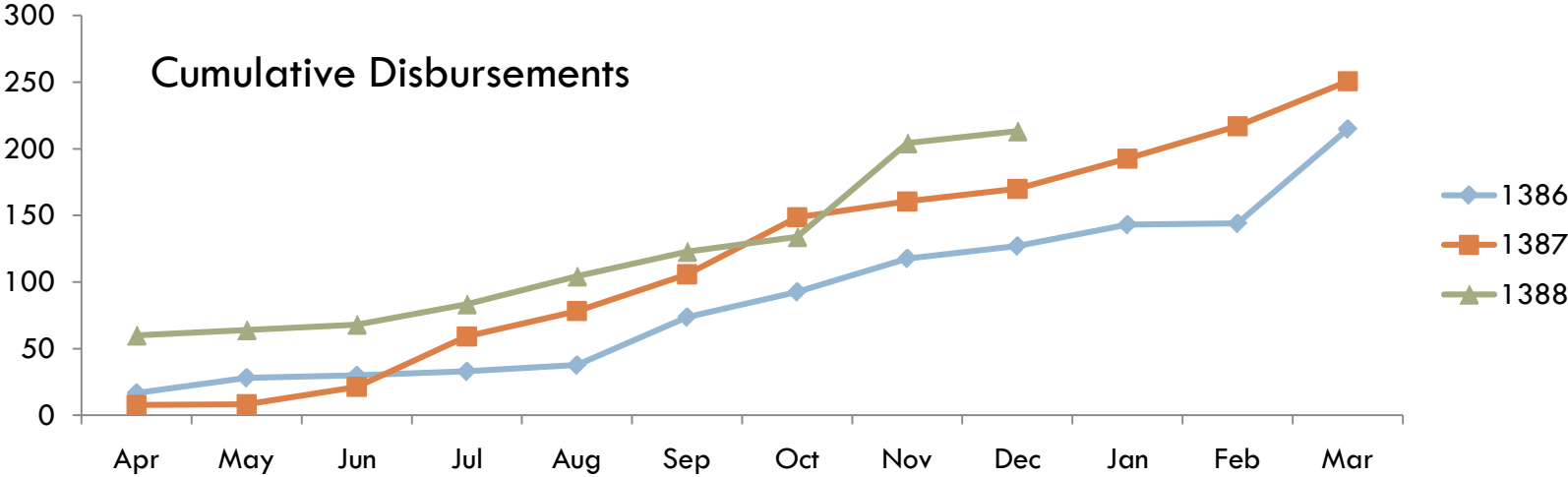
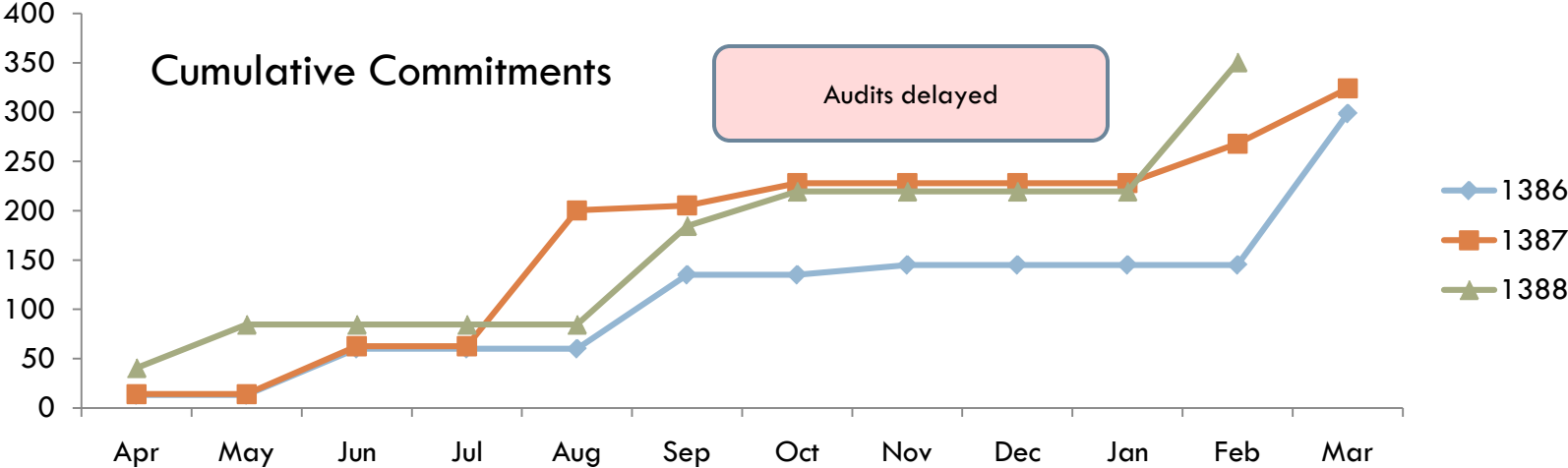
Cluster	Ministry	Active Project	Committed	Disbursed	Disbursement Ratio
Cluster 1: Ag & Rural	MAIL	Horticulture and Livestock Program	\$20.0	\$4.0	20%
	MRRD	Rural Water Supply and Sanitation	\$7.7	\$5.0	65%
	MRRD	National Solidarity Program	\$549.5	\$403.2	73%
	MRRD	National Emergency Rural Access Project	\$30.0	\$16.0	53%
	MEW	Water Resources Development Technical Assistance	\$5.5	\$1.0	18%
Sub-Total			\$612.7	\$429.2	70%
Cluster 2: Human Development	MoE	Skills Development (NIMA)	\$9.0	\$1.9	21%
	MoE	EQUIP II	\$35.0	\$25.6	73%
	MoHE	Strengthening Higher Education Project	\$5.0	\$1.0	20%
Sub-Total			\$49.0	\$28.5	58%
Cluster 3: Infrastructure & Economic Development	MEW	Rehabilitation of Naghlu Hydropower Plant	\$20.0	\$6.4	32%
	MEW	Kabul-Aybak/Mazar-e-Sharif Power Distribution	\$57.0	\$29.0	51%
	MEW	Power System Development Project (NEPS II)	\$35.0	\$5.2	15%
	MoF	Microfinance	\$183.3	\$163.9	89%
Sub-Total			\$295.3	\$204.5	69%
Cluster 4: Governance & Capacity	AGO, MoJ, SC	Justice Sector Reform Project	\$27.8	\$1.2	4%
	IARCSC	Management Capacity Program	\$15.0	\$2.5	17%
Sub-Total			\$42.8	\$3.7	9%
Other: Urban Infrastructure	KM	Kabul Urban Reconstruction Project	\$5.6	\$1.0	18%
	KM	Kabul Urban Roads Improvement Project	\$18.0	\$3.3	18%
	MoUD	Urban Water Supply and Sanitation	\$41.0	\$25.7	63%
Sub-Total			\$64.6	\$30.0	46%



Looking ahead

Ongoing challenges; new opportunities

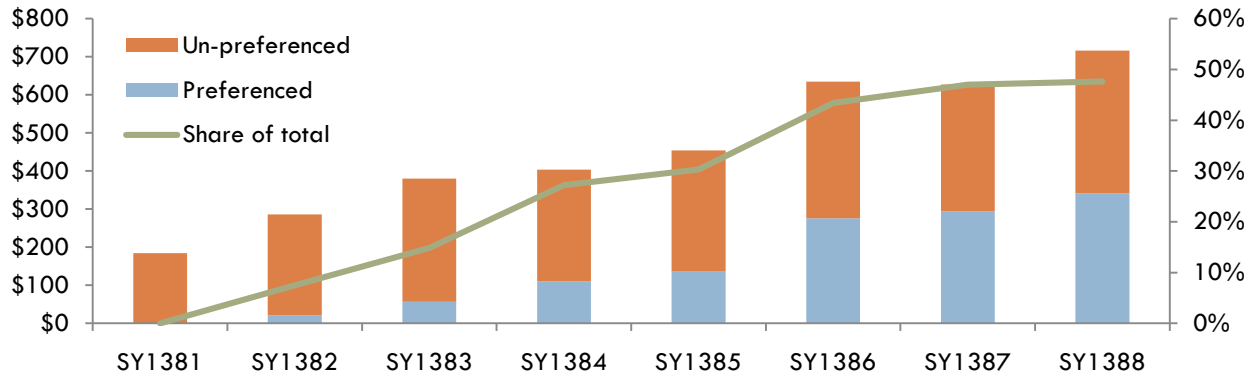
Donor contributions & audits



Monitoring & Evaluation

- Increasing insecurity
 - ▣ The MA is able to visit only 20% of provinces
 - ▣ Bank staff limited access to projects
 - Third party monitoring for ARTF now under consideration
- Increasing need for results reporting
 - ▣ Harvard Group & NSP Impact Evaluation
 - ▣ Scorecard approach: irrigation, health

The preferencing dilemma

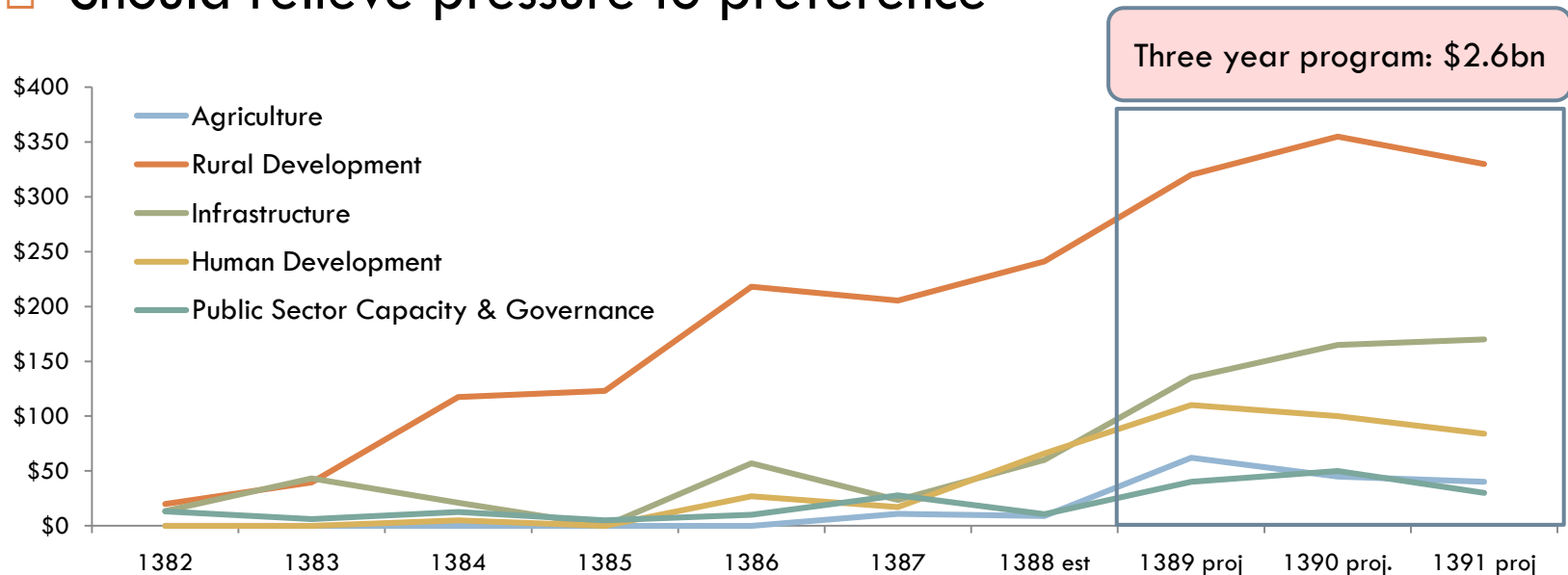


ARTF donors have increased their contribution of preferences every year. Preferences are also growing as a share of the total.

- Key risk: crowding out un-preferred funds
 - Would lead to worst case scenario: re-allocation from preferences to recurrent costs
 - Would undermine trust in ARTF
- Preferences also undermine the budget process
 - Bilateral approach to prioritisation
 - Donor directed budget
- Transition is required from donor-led to Afghan-led priorities
 - ARTF Financing Strategy

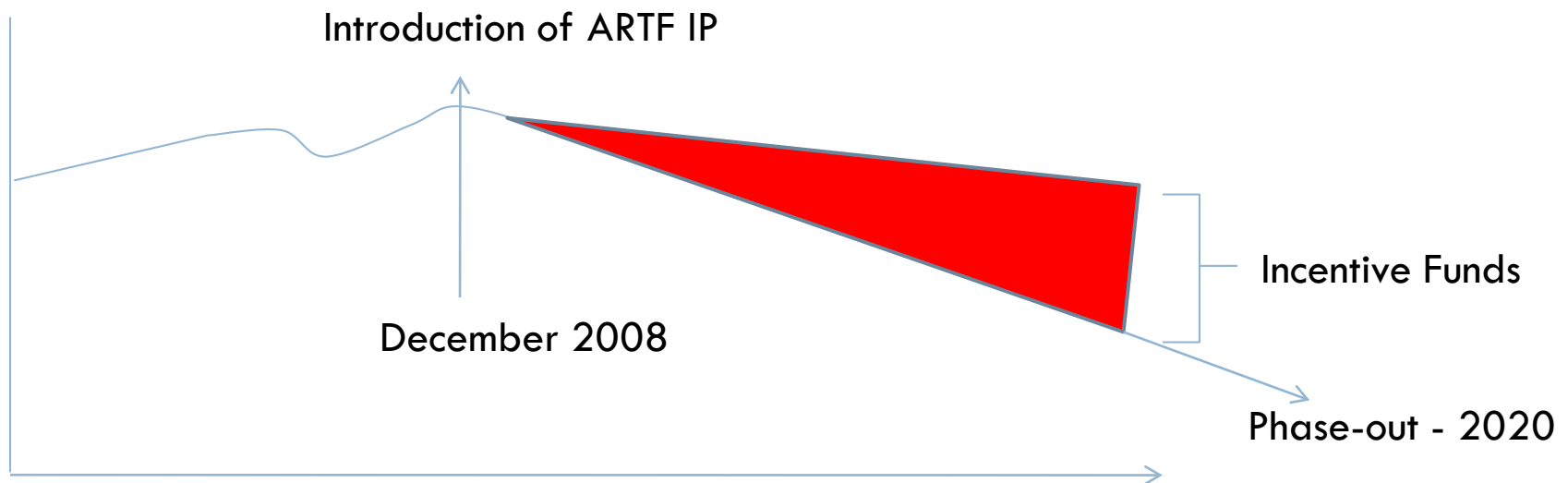
ARTF Financing Strategy

- Draft – to be finalised for the Kabul conference
- Objective: align with GoA clusters; strengthen predictability; support budget & MTFF; delivers GoA leadership
- Helps donors to buy in to a common program portfolio
- Should relieve pressure to preference



ARTF Incentive Program: Background

- Need to re-orient ARTF recurrent funding within Afghanistan's fiscal context
- ARTF around $\frac{1}{4}$ of non-security operating costs: donors have a stake in core reforms
- more challenging environment to raise un-preferenced funding



SY1388 & SY1389 IP Cycles

Enhancing domestic revenue generation

- Introduction of BRT on imports
- Transparency of customs, FLGE
- Corporate tax compliance
- Roll-out of ASYCUDA in Sher Khan Bandar

Improving public sector governance

- Teachers' competency framework
- High Office of Oversight: asset declaration & implementation strategy
- Framework for internal audit

Enabling private sector development

- Business regulation
- Gazetting of key mining laws
- EITI candidacy
- Power utility (DABS): milestones towards corporatisation

Revenue Matching Grant: linked to IMF annual revenue targets

Leadership of MoF

Multi-year benchmarks

Post-London priorities