

**Afghanistan Reconstruction Trust Fund**  
**Quarterly Meeting of Donors, 29 July 2009: Minutes**

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The representatives of 14 ARTF donor countries met in Kabul on July 29, 2009 with the government of Afghanistan, and the Management of the Afghanistan Reconstruction Trust Fund (ARTF). The meeting was the first quarterly meeting of ARTF donors in SY1388.

Nick Krafft, the World Bank Afghanistan Country Director, welcomed donors and the government to the meeting. He congratulated the group on the conclusion of the second year's negotiations of the ARTF Incentive Program reform benchmarks, noting that it represented best practice in multi-donor trust funds.

The Minister of Finance also welcomed the positive reform momentum generated by the Incentive Program, noting that this scheme meant ARTF would be supporting "development plus reform". With regards preferencing, the Minister requested donors to consider under what conditions preferencing of their contributions might be reduced. He also suggested that preferences focus on the sector, and not project, level. This, he noted, would correspond with the government's move to cluster ministries covering priority sectors.

**Administrator's Report & Preferencing Discussion**

The ARTF Coordinator updated donors on the activities underway in the first five months of SY1388, on the outlook for the year, based on donor pledges and the national budget. Pledges are down on last year's, totaling US\$600 million. In addition, preferences account for more than half of the pledge and the un-preferenced pledge is not sufficient to cover the commitment of US\$290 million for the recurrent cost window. It was stressed that this raised serious questions about the ability of the Administrator & Management Committee to meet all preferences.

During the discussion, donors noted that preferencing was driven by a need for more information about the results of the ARTF investments and by concerns with regards the proper management of funds by the government. Donors suggested a stronger government-led consultation process whereby the ARTF portfolio could be discussed annually with donors and the Management Committee. It was proposed that stronger government ownership of the portfolio prioritization as well as well-articulated results targets may reduce the need for donor agencies to preference. Results should also be demonstrated at provincial/district level. Currently, that information is difficult to find.

Some donor agencies underlined the important role that legislatures had in driving some of the preferencing. This was particularly the case where Afghan ministers lobbied for certain projects bilaterally with donors. Nevertheless, donors agreed that they would seek to re-balance solar year contributions in order to maintain the integrity of the 50/50 ARTF rule. A single voice representing government's priorities to donors would benefit donor coordination. The Minister of Finance agreed, and noted that under a new approach, government was clustering its line ministries around a few key sectors, to promote improved cross-government coordination. Donors welcomed this move.

Donors stressed the importance of the continued implementation of revenue measures, to reduce the need for the recurrent cost window over time. The Minister of Finance noted that if current results continued, fiscal sustainability would be achievable in a "few years".

Donors also noted that a stronger framework for resource allocation would reduce the need for donor representation on the Management Committee, which had been suggested as part of the ARTF Evaluation recommendations.

### **An ARTF Financing & Investment Framework**

The ARTF coordinator presented the Working Group’s draft proposal for the ARTF Financing & Investment Framework. The proposed framework sets out the approach needed to ensure a more strategic and results-oriented allocation of resources around core sectors. Donors welcomed and supported the proposal – in particular the proposed annual consultation with government as well as strengthened results monitoring and dissemination – but stressed the need for rapid action. Next steps include the initiation of multi-year pledging by ARTF donors, as well as the Sector Wide Approach assessment that was already underway.

### **Medium Term Financing Framework**

The head of fiscal policy unit in the Ministry of Finance presented the MTFF to donors. The discussion highlighted the strategic importance of a MTFF for the delivery of the Afghanistan National Development Strategy, consistent with a realistic budget ceiling and macro-economic environment. It was also stressed that the ability of donors to provide multi-year pledges or commitments was a limiting factor on the effectiveness of MTFF. Donors also noted that while the intention was for MTFF to lead negotiations on future aid flows, in fact the reverse was generally true – with MTFF merely recording these. It was decided that the MTFF should be closely linked, and indeed should serve to drive, the work on the ARTF Financing & Investment Framework.

### **List of Attendees:**

	<b>Name</b>	<b>Title</b>	<b>Country</b>
<b>Government of Afghanistan</b>	H.E. Dr Omar Zakhilwal	Minister of Finance	Afghanistan
	Ahmad Jalali	Director of Budget	Afghanistan
	Zia ur Rahman	Head of Fiscal Policy Unit	Afghanistan
	Tia Raappana	Adviser to the Minister	Afghanistan
	Naheed Wardak	Adviser to the Deputy Minister	Afghanistan
	Asita Stanekzai	Adviser to the Minister	Afghanistan
<b>Donors</b>	Martin Quinn	Ambassador	Australia
	Lilly Nicholls	Mission Director, CIDA	Canada
	Lara Babbie	Program Officer, CIDA	Canada
	Ivan Nielsen	Deputy Mission Director	Denmark
	Pernille Mortensen	First Secretary	Denmark
	Erwan Marteil	Deputy Head of Mission	EC
	Martin Schuldes	Counsellor	Germany
	Mike Gruber	Director, KfW	Germany

	Isabella Pierangeli	Counselor (Cooperation)	Italy
	Federico Calabrese	Counselor (Embassy)	Italy
	Hitoshi Aoyagi	Assistant Res Rep., JICA	Japan
	Takeshi Watanabe	Deputy Res. Rep., JICA	Japan
	Marten de Boer	Head of Development	Netherlands
	Wiesje Ellferich	Deputy Head of Development	Netherlands
	Huub Alberse	Policy Officer	Netherlands
	Jan Erik Rasmussen	Counsellor	Norway
	Edin Elsgether	Second Secretary	Norway
	Karolina Janik	Polish Embassy	Poland
	David Gervilla	Country Director, Spanish Cooperation	Spain
	Sirajuddin Khalid		Sweden
	Marshall Elliott	Country Director, DfID	UK
	Vel Gnanendran	Economist, DFID	UK
	Peter Jensen	Consultant, DFID	UK
	William Frej	Mission Director, USAID	US
	David Hatch	Program Officer, USAID	US
<b>Management Committee</b>	Nicholas J. Krafft	Country Director	World Bank
	Mariam Sherman	Country Manager	World Bank
	Nancy Zhao	Operations Adviser	World Bank
	Hugh Riddell	ARTF Coordinator	World Bank
	Paul Edwin Sisk	PFM Lead Specialist	World Bank
	Wali Ahmadzai	Disbursement Analyst	World Bank
	Abdul Raouf Zia	External Relations Officer	World Bank
	Sebastian Eckhardt	PREM	World Bank
	Robert Watkins	DSRSG	UNAMA
	Shahrooz Badkoubei	Civil Affairs	UNAMA
	Attaullah Shafeeq	Field Representative	IsDB