
ARTF: Selected Strategic Issues Suggested for Discussion

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Three Suggested Strategic Issues

- The share of unpreferenced contributions to the ARTF**
 - ANDS prioritization and integration of ANDS priorities into the SY1387 budget**
 - Performance, Prospects and Reforms in Revenue Mobilization**
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The share of unpreferenced contributions to the ARTF (Background)

- The share of unpreferenced ARTF pledges decreased from 73% in SY1384 to 70% in SY1385 and a preliminary estimate of 60% in SY1386.

 - The increase in preferenced contributions is due mainly to the following factors:
 - (i) In late SY1385 donors were allowed to express preference for more than 50 percent of their total yearly ARTF contribution
 - (ii) The absolute level of donor contributions has increased
 - (iii) Some sector agencies, notably MRRD (for NSP), MoE, and MISFA, have strongly encouraged ARTF donors to express preference for their sector programs.
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The share of unpreferenced contributions to the ARTF (Discussion Issues)

- How to increase the share of unpreferenced ARTF contributions without risking a decline in the overall level of ARTF support.
 - Enhancing Government capacity (i.e. project formulation and absorption capacity) to implement ARTF-funded projects, particularly in sectors where donors have tended not to indicate preferences.
 - Would strategic guidance from the Government on the allocation of funds in the ARTF investment window reduce donors' need for preferencing?
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ANDS prioritization and integration of ANDS priorities into the SY1387 (Background)

- ❑ The ANDS is expected to be completed in March 2008. Currently, finalization of sector strategies and consultations are in progress.
 - ❑ Effective implementation of ANDS will require prioritization across and within sectors.
 - ❑ The Government has selected three sectors (health, education and roads) for sector strategies to be prioritized and incorporated into the SY1387 (2008/09) budget.
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ANDS prioritization and integration of ANDS priorities into the SY1387 (Discussion Issues)

- ❑ Linking ANDS prioritization and donor assistance (especially the challenge of doing so for the external budget).
 - ❑ Matching medium-term financial resource availability (domestic revenues and donor assistance to both core and external budget) with the ANDS.
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Performance, Prospects and Reforms in Revenue Mobilization (Background)

- Domestic revenues more than doubled from US\$212 million (4.6 percent of GDP) in SY1382 to US\$581 million (6.9 percent of GDP) in SY1385.
 - In SY1386, preliminary results indicate that revenue realization during the first half of the year reached Afs 15.5 billion (US\$310 million), which exceeded the IMF performance target (Afs 15.0 billion) under the PRGF.
 - In May 2007 the Government issued a document “Policy Direction and Strategy for Sustainable Sources of Revenue for Afghanistan”. This lays out future directions for revenue strategies. But progress on implementing revenues policies and improving tax administration has been a bit slow.
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Performance, Prospects and Reforms in Revenue Mobilization (Discussion Issues)

- What are the priority areas and actions for maintaining rapid revenue growth?
 - Impact of recent policy changes (e.g. tariff policies) on revenue performance.
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Thank you