

**Proposal for the Extension of the Termination Date of the  
Afghanistan Reconstruction Trust Fund (ARTF)  
October 31, 2007**

1. This note proposes an extension of the current termination date of the ARTF from June 30, 2010 to June 30, 2020 and proposes harmonizing text on early termination from the ARTF.

Background

2. The Agreements signed between the Bank and each ARTF Donor include a termination clause. This clause sets out the date at which the agreement between the Bank and the ARTF Donor shall no longer be binding and at which time the ARTF shall cease to function (the "Termination Date"). This date is presently the earlier of June 30, 2010 or such date as the Grant Funds shall have been fully disbursed. The Agreements provide for the possibility of a change in such Termination Date if such change is agreed upon between the Donors and the Bank.

Implications of Termination

3. No commitments (e.g., purchase orders or contracts) can be made that extend after the Termination Date. However, (a) any agreement entered into among the Bank, the Monitoring Agent, and/or other third parties will not be affected by the termination, and the Bank will be entitled to continue permitting withdrawals of Grant Funds in respect of such agreements as if the arrangement had not been terminated; (b) funds remaining unallocated by the ARTF Management Committee would be returned to ARTF Donors on a pro-rata basis; and (c) the Bank's functions pursuant to the Donors will be considered terminated, except that the Bank will, within six (6) months following such termination, furnish to the Donors an unaudited financial statement with respect to the aggregate amount contributed by all Donors.

4. The Termination Date caps the length of project implementation periods for ARTF-funded projects. Thus, the date of June 30, 2010 presently limits ARTF to funding only those projects which can be completed prior to that date. For new operations in the infrastructure and power sectors, and for the ongoing scalable national programs (such as National Rural Access Program (NRAP), Education Quality Improvement Program (EQUIP), National Solidarity Program (NSP) and Microfinance) this date is not realistic and will increasingly pose problems with regard to delivery schedules, issuance of letters of credit and contract service periods.

Decision Sought

5. It is proposed that the Termination Date be extended to June 30, 2020.

6. If ARTF Donors are in agreement with such an extension, the Bank shall amend the respective Donor Agreements to reflect the new Termination Date. The amendment shall be communicated to each donor in an amendment letter signed by the authorized Bank representative and will not require counter-signature by the Donors. The amendment shall take effect as of the date of the amendment letter (which shall be the same date for all Donors).

7. The Minutes of this Donor Meeting shall record the agreement of the Donors to the extension and amendment process.

Noteworthy Points

- As a multi-donor trust fund, a single termination date, applicable to all ARTF Donors is established.

- Agreeing to an extension does not entail any requirement of continued contributions. For contributions, separate agreements, based on Donor budget cycles will continue to be signed each year. For any Donor who does not agree to the extension, the Bank will be unable to sign further contribution agreements or accept additional pledges or payments after June 30, 2010.
- At the Donors' request, we may also amend the Administration Agreements to provide for early termination. If this is agreed upon, termination of the Trust Fund arrangement may occur at any time during the life of the trust fund with 30 days written notice. Upon such termination, the same consequences as are set out in paragraph 3 of this Note would apply. If Donors agree to this change we will amend the respective agreements at the same time and in the same manner as we amend the Termination Date.