

# Afghanistan Reconstruction Trust Fund



THE WORLD BANK GROUP

# ARTF

- Largest single source of **support for the Government's budget** (\$7.9 bn from 34 donors);
- 22 on-budget projects in **5 key sectors** including Agriculture (\$198.25M), Rural Development (\$1.073B), Infrastructure (\$303.2M), Human Development (\$545.9M), and Governance (\$213M);
- Pooled financing provides **predictable and transparent operating budget support.**

## **Many improvements have been made in recent years, including:**

- Increased government involvement in ARTF governance structure;
- 3-year Financing Strategy introduced as a planning tool, updated annually;
- A new Operations & Maintenance Facility initiated;
- Focus on gender and nutrition strengthened across the program – a gender assessment of key sectors was carried out and gender specialist hired;
- Improved results tracking, reporting and communication – the ARTF Scorecard was launched and a stand-alone website introduced: [www.artf.af](http://www.artf.af);
- Continued strong technical support for government - Afghanistan is number one within the World Bank for hands-on support and engagement in a fragile state (600 days in facetime per project).

# Background: ARTF Fee

- The ARTF fee is designed to cover the ARTF portion of the work program costs, including aspects of ARTF donor engagement, World Bank technical implementation support, ARTF portfolio management, country office costs, and associated institutional support.
- The rationale for a fee increase from 2% to 4% is:
  - i. The World Bank Board has requested management to implement full cost recovery from World Bank-administered trust funds;
  - ii. The World Bank is currently subsidizing ARTF operations; and
  - iii. The World Bank security costs in Afghanistan continue to increase.
- Process:
  - i. Proposal was discussed with ARTF donors and government and agreed in principle;
  - ii. The ARTF Steering Committee to formally endorse the fee increase; and
  - iii. Legal agreements between the World Bank and donors will be amended.

# Changes: ARTF Fee

- No change for contributions to the ARTF *ad hoc* window; the fee will remain at 2%.
- The fee will increase to 3% for usual ARTF contributions received starting January 1, 2016, and then to 4% for contributions received starting January 1, 2017.

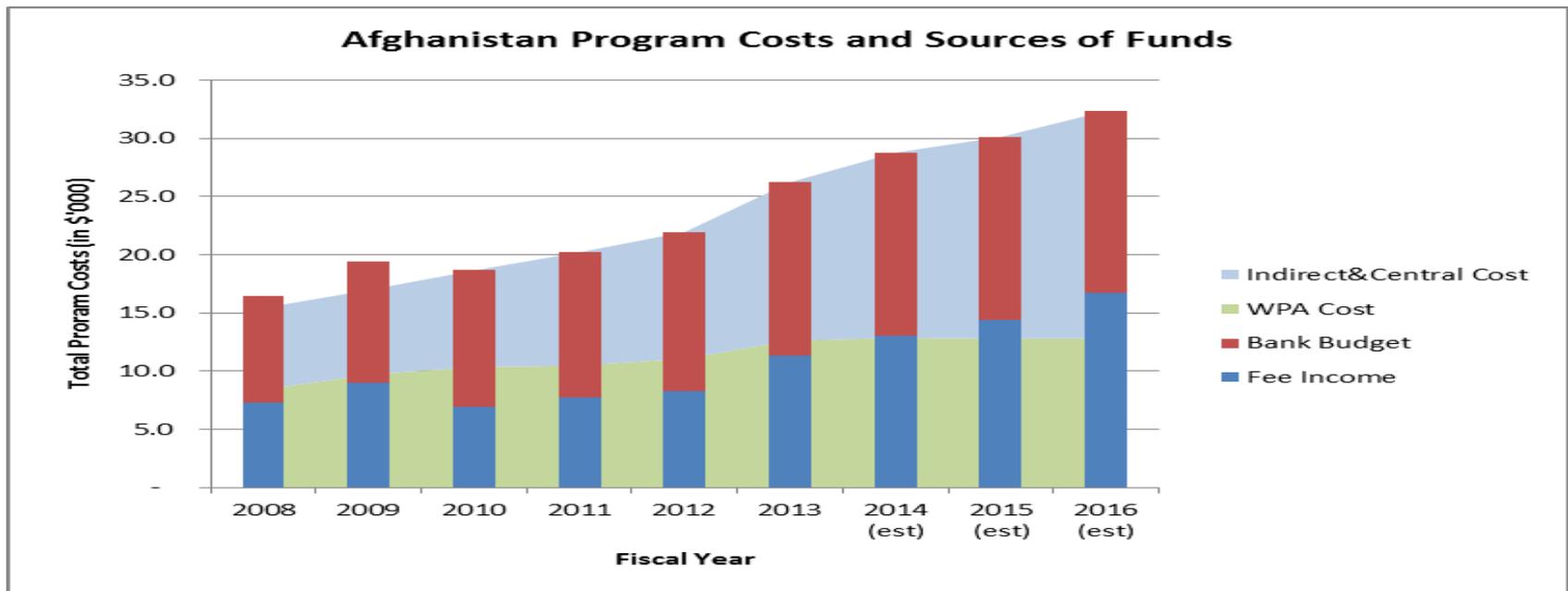
# Research and Analysis Program

- Over the last 7 years the World Bank has invested US\$1.94 million/year on analytical work producing leading sectoral and thematic knowledge work from the Bank's budget;
- The 2012 External Review proposed an increase in analytical work under the ARTF in support of program efficiency;
- In 2013 donors endorsed the establishment of an ARTF Research and Analysis Program (RAP) to facilitate and promote evidence-based policy-research and knowledge consolidation through project-based and selected sector-wide/thematic research;
- The RAP will have an estimated Budget of \$5 million per year. It will be partly financed by ARTF fee income and partly by donor funding through the ARTF;
- The RAP will only support *additional* analytical work – the Bank will continue its own significant support for analytical work.
- The RAP will ensure engagement and cooperation with Afghan entities.

# **ANNEXES**

# ARTF Operational Cost

- **ARTF – IDA cost burden sharing is not proportional:** While ARTF comprises 82% of our portfolio, ARTF fee income currently only covers 42% of the program cost (\$25.7M per year over the past three years);
- Without the fee increase the bulk of ARTF operational cost would fall upon the World Bank to finance from its own budget.



- **For a sustainable financing model a minimum ARTF fee of 4% would be required.** - This would increase ARTF cost financing from 42% to 82%.

# Security Cost

Security costs have increased from US\$1.4 million in FY10 to an estimated US\$6 million in FY15 and is expected to increase to US\$ 7.6 million in FY16. Including:

- Increased security for facilities and staff;
- Maintenance of face time with clients;
- Technology provided to Ministries to ensure uninterrupted connectivity.

