

ARTF Strategy Group Meeting
March 18, 2015
Summary Discussion

An ARTF Strategy Group Meeting was held at the World Bank office in Kabul on March 18, 2015 with participation from 10 donor countries and the World Bank to discuss how best to balance recurrent cost financing and development financing, and, to facilitate a discussion on the fiscal crisis of 2014 and its effects on ARTF financing.

World Bank Lead Country Economist, Claudia Nassif, delivered a presentation on balancing the Recurrent Cost Window and Investment Window. The presentation looked at the historical trends of the two windows starting from 2002 and how the donors responded through the two windows to meet the growing needs of the government of Afghanistan.

In the initial years recurrent cost support through the ARTF RC dominated the financing strategy reflecting the need to ensure rebuilding basic functions of the government in light of the limited ability to mobilize revenue. As the government's implementation capacity and donor preference for investment projects increased, allocations to the investment window increased over time and accounts for more than 60% of ARTF funds today.

The group discussed how to balance recurrent costs vis-à-vis investment costs in the new ARTF Financing Strategy 1394-1396 and how to best safeguard development outcomes during times of fiscal restraint. In this context, the implications of increasing fund flow through the Ad Hoc Payments (AHP) facility were discussed. Participants noted that while the AHP is a useful instrument within the ARTF, trade-off between the AHP and the Incentive Program need to be carefully considered. Going forward it is envisioned that the IP program will be re-shaped to allow for greater flexibility and timeliness in responding to changing financing needs of the Government. Discussions on the new IP program, July 2015 – June 2017, are starting end of March 2015.