

## ARTF Steering Committee Meeting

December 1, 2013

### Summary of Discussion

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The quarterly meeting of the ARTF Steering Committee was held in the World Bank office in Kabul on December 1, 2013 with participation from the Ministry of Finance, 16 donor countries, UN representatives, the Asian Development Bank, the Islamic Development Bank, and the World Bank.

The Minister of Finance, Omar Zakhilwal, delivered the opening statement reinforcing the importance of the ARTF and the need to focus on key sectors of agriculture, higher education and rural infrastructure. The Minister conveyed the demand from communities for increased connectivity and emphasized the critical role of rural roads in that context.

**Administrator's Report:** The Administrator provided a brief update on the financial status of the ARTF. The Administrator highlighted in particular the deferral of projects from 1392 to 1393 to ensure readiness for implementation at the time of approval.

Donors expressed their support for the ARTF's focus on managing uncertainties, particularly in terms of the upcoming election and the increasingly complex security situation. It was agreed that the Administrator would continue to brief and consult with the ARTF Strategy Group on the impact of both of these issues on portfolio performance, project implementation and monitoring in the field.

**1393 Update to the Financing Strategy:** During the Steering Committee's discussion on the 1393 Update to the Financing Strategy (U2FS) the following issues were raised:

- i. **Realism of the pipeline:** Concerns were conveyed regarding the realism of the pipeline of new allocations outlined in the 1393 U2FS, given the upcoming elections. The Administrator noted a couple of issues in response:
  - Project allocations outlined in the U2FS for 1393 include both tranches to ongoing projects and new projects. For the majority of new projects, preparation grants are already in place, meaning implementation arrangements are in preparation. Therefore, while the pipeline is ambitious, it has been carefully assessed by the Administrator.
  - Donors will be updated on any significant delays to the implementation of the pipeline and possible new priorities from the new government will be discussed.
- ii. **Infrastructure allocation:** Donors noted the significant increase in the infrastructure financing projected for 1393 and asked if this was due to a change in prioritization. The Administrator explained that the increase was to some extent caused by some projects being postponed from 1392 to 1393 to ensure readiness. The Administrator emphasized the existing agreement on division of labor between the World Bank and ARTF on the one side and the Asian Development Bank (ADB) and the AITF on the other side: While ADB focuses on large scale infrastructure,

most of the ARTF financing goes towards smaller scale infrastructure. The Minister added that infrastructure is indeed a key priority for Government and as such several key players are encouraged to support this area.

- iii. **Ad Hoc TMAF Payment:** The Administrator highlighted the new “Ad Hoc TMAF Payment” (ATP) proposed in the U2FS. These additional ad hoc contributions would arise from agreements between the respective bilateral donor and Ministry of Finance, to which the Administrator is not privy.

The Administrator noted that it would be critical to manage carefully the risk of donors moving their funds from the normal ARTF program to the new ATP. To mitigate this risk, the ATP will run on a pilot-basis during 1393 and be assessed towards the end of the year. Also, donors will not be able to move existing pledges to ATP.

- iv. **O&M Facility:** Donors asked about the status of the O&M Facility, introduced as a pilot beginning in 1392. The Administrator explained that its technical team was working closely with Ministry of Finance to establish its performance through 1393. An update would be provided in early 1393 when all data from 1392 would be available.

The Minister concluded the discussion by recognizing the challenges ahead, urging donors to support Afghanistan through this transition period and stating his general optimism that Afghanistan endure.

The Steering Committee endorsed the 1393 Update to the Financing Strategy.

**Next Steps:**

- The final 1393 Update to the Financing Strategy will be circulated to donors and made available on the ARTF website;
- The Strategy Group will by early 1393 start discussions on the various issues identified during the September 2013 ARTF Results Workshop. Thus to prepare for the next three-year Financing Strategy to be approved by December 2014.