

ARTF Strategy Group Meeting

August 26, 2015

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on August 26, 2015 with participation from 11 donors and the Ministry of Finance (MoF). Wezi Msisha (World Bank Senior Operations Officer & Acting Operations Manager) chaired the meeting and briefly explained the background of the two agenda items- (i) ARTF Closing Date Extension and; (ii) Amendment of the SG Membership.

ARTF Closing Date Extension: A five year extension of the current ARTF closing date until December 31, 2025 was proposed. It was explained that the extension is being proposed five years prior to the June 30, 2020 termination date because the termination date caps the implementation period of projects funded under the ARTF. Thus, the current termination date of June 30, 2020 limits the ARTF to financing only those projects that would be completed prior to this date.

The Administrator explained that the current closing date would not be realistic for recently approved operations; specifically the Higher Education Development Project which has an expected closing date of December 31, 2020, and therefore cannot become effective with a closing date that is beyond the parent trust fund. It was further explained that the extension is merely for administrative purposes and will not incur additional costs. Further, the extension does not commit Donors to make further contributions to the ARTF. It would also not affect any exit strategies that might be discussed by the Government and the donors prior to the extended date.

The MoF also clarified that although the Government is keen to take on a greater role in the administration of the ARTF in the future, this extension does not imply changes to the structure and management of the ARTF. Any changes in this regard would first be discussed and agreed at the Strategy Group & Steering Committee, and that the Financing Strategy will remain as the primary instrument for donor commitments.

Strategy Group Membership: The Administrator explained the current membership structure of the Strategy Group, which consists of the MoF; The World Bank as ARTF Administrator; and ARTF Donors providing a minimum contribution of USD10 million annually to the ARTF. The new proposal was to include one combined seat on the SG to allow donors with contributions under USD10 million to participate in formulation of the strategic directions of the ARTF. This proposal was being put forward in response to a request from Switzerland which has expressed interest in renewing its contribution to the ARTF, as well as being part of the SG. It was emphasized by MoF that this would be an important step forward in donor coordination, alignment and encouraging on-budget coordinated aid to Afghanistan and that the Government supports the proposal.

Discussion: Several donors expressed their support for the proposal in view of the possibility of decreasing contributions to the ARTF in the future, and also to encourage technical participation of other donors in the SG discussions. Concerns raised by some members included: (i) how to ensure the strategic role of the SG was maintained and not weakened by the inclusion of the extra seat; (ii) what would be the SG

response if most of the donors decreased their contribution below the current USD 10 million threshold; (iii) mechanisms to ensure the donors with smaller contributions actively participate in the SG and how their representation at the SG would be managed; (iv) clear wording regarding the proposed extra seat in the relevant ARTF legal documents & the SG ToR- including a minimum contribution amount, and that it would be a self-organizing, rotating seat among the donors with smaller contributions.

The Administrator explained that the proposed membership would be limited to one seat, rotating among a number of donors, including Switzerland, who contribute less than USD10 million. Also that at the present time, there were only three such active donors. It was stated that it was important for the group of donors sharing the seat to reach an agreement on how to rotate the membership. It was also emphasized that technical presence in the country will remain as a criteria for Strategy Group Membership.

Finally it was agreed that a clause amending the definition of the Strategy Group, that will allow donors with contributions less than \$10 million to join the Strategy Group, would be developed by the Bank's legal team. This would be included in the note that would be sent for approval to the Steering Committee, and subsequently in the relevant ARTF legal documents.

Conclusion: All the donors and the MoF expressed their support to the proposed extension of the ARTF and the addition of one combined rotating SG seat for donors with contributions below USD10 million. The Administrator further noted that Sweden had conveyed its support for both proposals by email on August 26, 2015.