

ARTF Strategy Group Meeting

March 6, 2016

Summary of Discussions

An ARTF Strategy Group (SG) Meeting was held on March 6 2016 and was attended by 7 members and the Ministry of Finance (MoF). The meeting was co-chaired by the Deputy Minister of Finance, Dr Mustafa Mastoor and Mr. Stephen N. Ndegwa (World Bank Operations Manager). The main topic of discussion was the Government's updated ARTF investment priorities for fiscal years 1395 and 1396.

Updated ARTF Investment Priorities: Some key issues were highlighted as follows: (i) the new investment priorities outlined amounted to US\$515 million which includes both new financing and additional financing to existing projects; (ii) approximately US\$300 million is left unallocated to provide flexibility to finance new Government priorities that might emerge over the coming months; (iii) approximately US\$330 million would be freed in the next few months (US\$85 million of which would return to the ARTF parent account) following the restructuring of 5 ongoing projects- Kabul Municipal Development Program, Kabul Urban Transport Efficiency Improvement Project, Afghanistan Agricultural Inputs Project, Justice Service Delivery Project, Capacity Building for Results Project (CBR); (iv) the implementation period of the EQUIP II project would be extended by another year from December 2016 to December 2017 to provide time for resolution of the school civil works, and full utilization of the existing project funds. The Government confirmed its commitment to implementing a third basic education project after the closure of EQUIP II. The exact amount to be allocated to the new project would be determined in the coming months based on identified priorities and directions in the education sector. Implementation of a new project would likely begin at the end of 2017.

There were discussions on some of the projects as follows:

EQUIP: Some members that preferenced funds towards EQUIP wanted to know whether those funds could be applied to the ongoing project, since the new project would start a bit later than initially anticipated. It was agreed that the Administrator would circulate information on the EQUIP donor preferencing to the SG.

NSP III: The MoF explained that the implementation period of the NSP III would be extended until March 2017, and additional financing of approximately US\$85 million would be provided to expand the maintenance cash grant scheme using funds received from the U.S. U.K, and expected funds from the EU in support of the Jobs for Peace Program. It is also expected that there would be an overlap in the implementation period between the NSP and the new Citizen's Charter Program which is expected to begin towards the end of 2016.

CBR: It was agreed that the Bank team working on the CBR together with the Ministry of Finance would make a presentation on the CBR changes and progress to the SG in the coming weeks. The administrator would circulate the updated ARTF investment projects list as well as a revised cash flow status based on the new priorities to the SG.

ARTF Flexibility Review: the Administrator informed the SG that the government had developed a draft terms of reference for a broader fit for purpose review of the ARTF, and not just a review of ARTF flexibility as outlined in the SMAF matrix. The Administrator had provided comments to the MoF on the draft ToR, and also suggested the review be undertaken in two phases starting with the flexibility part in order to meet the SMAF commitment on time.