



AFGHANISTAN RECONSTRUCTION TRUST FUND

1395 UPDATE TO THE FINANCING STRATEGY

Endorsed March 6, 2017

I. Summary:

The ARTF Financing Strategy 1394-1396 was endorsed by the ARTF Steering Committee on June 15, 2015. This 1395 update to the Financing Strategy (FS) was endorsed by the Steering Committee March 6, 2017. This update outlines programs and activities to be financed in 1395 and 1396, reflecting the priorities of the Government of the Islamic Republic of Afghanistan. It is the result of extensive discussions between the Government and the ARTF Administrator, and provides a guide to the pipeline for this year and the next year. However, as government needs and priorities are likely to change over time, the projects that are subsequently prepared and their final funding amounts may be slightly different than what is presented in the tables below.

II. Funding by Sectors

The ARTF will continue to support the government in six main sectors- agriculture, governance, human development, infrastructure, rural development, and social development. Table 1 below presents all the investment projects to be financed through the ARTF in each of the sectors during the FS period. Projects that were already approved in 1394 (2015) and 1395 (2016) as well as those yet to be approved are shown below. In some cases the actual project funding amounts approved by the ARTF MC are slightly different from those in the original FS. Please refer to page 26, Table 8 of the ARTF FS for further details on agreed amounts. Amounts in bold indicate approved projects.

Table 1: ARTF Project Financing by Sector-1394-1396

A detailed table with explanatory notes is in Annex I

ARTF Financing Strategy FY1394 - FY1396 (2015 - 2017) Update - USD Millions					
Sector	Project	FY1394	FY1395	FY1396	MC Approval Date
Governance	PFMR II AF	41.12			10-Feb-16
	PFMR III			50.00	
	Labor Contracting PPG		2.00		
Human Development	Basic Education			100.00	
	Higher Education	50.00			7-Jul-15
	Higher Education - AF		15.00		
	NATEJA AF		10.00		
Agriculture	Irrigation Rehabilitation and Development - AF		70.00		15-May-16
	On Farm Water Management - AF	45.00			14-Dec-15
	NHLP - AF		90.00		29-Jun-16
	New Agriculture Program incl. grain reserves				
Rural Development	NSP III - AF		57.26		29-Jun-16
	Citizen's Charter Afghanistan Project		100.00	100.00	21-Sep-16
	Rural Access Roads (ARAP) - AF		100.00		
	Rural Enterprises Development - AF		4.70		3-Oct-16
Social Development	Land Management Support		4.95		15-May-16
	Women Economic Empowerment			15.00	
Infrastructure	DABS TA		6.00		10-Feb-16
	Power System Development - AF	15.00			7-Jul-15
	Naghlu Hydropower Rehabilitation		83.00		14-Dec-15
	Resource Corridors Project			35.00	
	E-Governance PPG - Digital CASA		5.00		29-Jun-16
	Municipal Development Program PPG		1.50		
	Urban NPP PPG		2.90		21-Sep-16
Technical Assistance	TA Project		5.00	5.00	29-Jun-16
Total		151.12	557.31	305.00	1013.43

III. ARTF Cash Position as of September 21, 2016

ARTF entered FY1394 with an unallocated cash balance of USD 525.39 million carried over from FY1393. A total of USD 651.50 was received during FY1394 and a total of USD 815.65 million was allocated to the Recurrent Cost Window, Investment Projects, the Monitoring and Supervisory agents and the Research and Analysis Program. At the end of FY1394, the fund had an unallocated cash balance of USD 353 million. In FY1395, ARTF started with an opening unallocated balance of USD 353 million and received a total of USD 632 million as donors' contributions during the year. By September 21, 2016, the total cash balance stood at USD 298 million in the ARTF Parent Account.

Table 2: ARTF Financial Position as of September 21, 2016

ARTF Parent Trust Fund Cash Flow Position as of September 21, 2016 - USD Millions		
	FY1394	FY1395
Cash carried over from previous year	525.39	353.01
Donor Contributions Received	651.50	632.09
IDA Fees minus Investment Income (Deduction)	8.23	7.06
Total Sources of funds	1,168.66	978.04
Uses of Funds		
Recurrent Cost Window	322.00	370.00
Investment Window	465.00	302.14
Monitoring & Supervisory Agents	28.50	3.20
Research & Analysis Program	0.15	4.38
Total allocations out of ARTF Parent Account	815.65	679.72
Surplus/(Deficit) balance	353.01	298.32

IV. Approved Investment Project Financing -1394-1395

The projects that have already been approved by the ARTF MC are highlighted in **Table 3**. So far, a total of USD 679.93 million has been approved to date. This includes both new financing as well as additional financing to already existing projects.

Table 3: Projects approved by the ARTF Management Committee

FS 1394 - 1396 Update: Projects approved by the ARTF MC - USD Millions					
Sector	Project	FY1394	FY1395	FY1396	MC Approval Date
Governance	PFMR II AF	41.12			10-Feb-16
	Higher Education	50.00			7-Jul-15
Agriculture	Irrigation Rehabilitation and Development - AF		70.00		15-May-16
	On Farm Water Management - AF	45.00			14-Dec-15
	NHLP - AF		90.00		29-Jun-16
Rural Development	NSP III - AF		57.26		29-Jun-16
	Citizen's Charter Afghanistan Project		100.00	100.00	21-Sep-16
	Rural Enterprises Development - AF		4.70		3-Oct-16
Social Development	Land Management Support		4.95		15-May-16
Infrastructure	DABS TA		6.00		10-Feb-16
	Power System Development - AF	15.00			7-Jul-15
	Naghlu Hydropower Rehabilitation		83.00		14-Dec-15
	E-Governance PPG - Digital CASA		5.00		29-Jun-16
	Urban NPP PPG		2.90		21-Sep-16
Technical Assistance	TA Project		5.00		29-Jun-16
Total		151.12	428.81	100.00	679.93

V. Investment Projects Pipeline- 1395-1396

Financing in the amount of USD 328.50 million for 9 investment projects (Table 4) is expected to be approved in the remainder of 1395 and in 1396. This includes financing for new investment projects, as well as additional financing, and allocation of tranches to existing projects. The pipeline for 1396 may be changed depending on emerging government priorities.

Table 4: Projects in the pipeline to be approved by the ARTF Management Committee

FS 1394 - 1396 Update: Projects in the pipeline to be approved by the ARTF MC - USD Millions				
Sector	Project	FY1395	FY1396	Total
Governance	PFMR III		50.00	50.00
	Labor Contracting PPG	2.00		2.00
Human Development	Basic Education		100.00	100.00
	Higher Education - AF	15.00		15.00
	NATEJA AF	10.00		10.00
Rural Development	Rural Access Roads (ARAP) - AF	100.00		100.00
Social Development	Women Economic Empowerment		15.00	15.00
Infrastructure	Resource Corridors Project		35.00	35.00
	Municipal Development Program PPG	1.50		1.50
Technical Assistance	TA Project		5.00	5.00
Total		128.5	205.00	333.50

VI. ARTF Active Investment Projects:

As of September 21, 2016, a total of USD 3116.73 million has been allocated (committed) to 20 active investment projects, of which USD 2186.72 million has been disbursed leaving an undisbursed balance of USD 930 million.

Table 5: Status of Active and Disbursing ARTF Investment Projects as of September 21, 2016

Projects	Approved Grant Amount	Amount Disbursed	Amount Available	Start Date	Closing Date	Current Grant Objectives rating	Current Implementation Rating
Second Public Financial Management Reform Project - TF010024	114.13	75.84	38.29	09-Aug-11	30-Jun-17	MS	MS
Capacity Building for Results Facility Project (CBR) - TF011447	100.00	48.49	51.51	21-Jan-12	31-Dec-17	MS	MS
Irrigation Restoration and Development Project - TF012029	48.40	21.44	26.96	14-Mar-12	31-Dec-17	MS	MS
Justice Service Delivery Project - TF012533	25.00	16.12	8.88	31-May-12	01-Jun-17	MU	MU
Afghanistan Rural Access Project (ARAP) - TF013093	207.00	135.74	71.26	15-Sep-12	31-Mar-18	S	S
National Horticulture and Livestock Project - TF013820	190.00	65.10	124.90	22-Dec-12	31-Dec-18	S	S
Afghanistan Resource Corridors Project - TF014845	2.70	2.57	0.13	29-May-13	31-Dec-16	S	S
Afghanistan Agricultural Inputs Project - TF015003	74.75	17.24	57.51	30-Jun-13	30-Jun-18	MS	MS
System Enhancement for Health in Transition Project (SEHAT) - TF015005	300.00	210.05	89.95	06-Oct-13	30-Jun-18	MS	MS
Non Formal Approach to Training, Education and Jobs in Afgha - TF016354	15.00	2.99	12.01	11-Apr-14	30-Dec-18	MS	MS
CASA-1000 Community Support Project - TF017012	40.00	0.00	40.00	11-Apr-14	30-May-17	S	S
Kabul Municipal Development Program (KMDP) - TF017016	110.00	28.29	81.71	11-Apr-14	31-Dec-19	S	S
Kabul Urban Transport Efficiency Improvement Project (KUTEI) - TF017061	90.50	28.06	62.44	11-Apr-14	31-Dec-19	S	MS
Power System Development Project - TF093513	75.00	58.46	16.54	19-Mar-09	31-May-17	MS	MU
Second Education Quality Improvement Project - TF093962	408.00	350.46	57.54	14-Apr-09	31-Dec-16	MS	MU
Third Emergency National Solidarity Project - TF098459	1107.26	1080.10	27.15	24-Jan-11	31-Mar-17	S	S
On-Farm Water Management Project (OFWM) - TF099074	70.00	31.06	38.94	16-Mar-11	31-Dec-19	S	S
Higher Education Development Project - TF0A0730	50.00	8.72	41.28	15-Sep-15	31-Dec-20	S	S
Afghanistan Nughlu Hydropower Rehabilitation Project	83.00	5.00	78.00	19-Jan-16	30-Sep-22	S	S
Afghanistan DABS Planning and Capacity Support Project	6.00	1.00	5.00	07-Mar-16	31-Jul-20	S	S
	3116.73	2186.72	930.02				

ANNEX 1: FY1394 – FY1396 ARTF Financing Strategy Update (Detailed Table with Explanatory Notes) October 2016

ARTF Financing Strategy FY1394 - FY1396 (2015 - 2017) Update - USD Millions										
Sector	Project	FY1394		FY1395		FY1396		Total Projected & Actual		MC Approval Date
		Projected	Revised	Projected	Revised	Projected	Revised	Total Projected	Total Revised	
Governance	PFMR II AF	75.00	41.12					75.00	41.12	10-Feb-16
	PFMR III						50.00	0.00	50.00	
	Labor Contracting PPG				2.00			0.00	2.00	
Human Development	Basic Education			100.00	0.00	0.00	100.00	100.00	100.00	
	Higher Education	50.00	50.00					50.00	50.00	7-Jul-15
	Higher Education - AF				15.00			0.00	15.00	
	NATEJA AF				10.00			0.00	10.00	
Agriculture	Irrigation Rehabilitation and Development - AF	70.00	0.00	0.00	70.00			70.00	70.00	15-May-16
	On Farm Water Management - AF	45.00	45.00					45.00	45.00	14-Dec-15
	NHLP - AF			0.00	90.00			0.00	90.00	29-Jun-16
	New Agriculture Program incl. grain reserves					100.00	0.00	100.00	0.00	
Rural Development	NSP III - AF			0.00	57.26			0.00	57.26	29-Jun-16
	Citizen's Charter Afghanistan Project			200.00	100.00	0.00	100.00	200.00	200.00	21-Sep-16
	Rural Access Roads (ARAP) - AF				100.00	100.00	0.00	100.00	100.00	
	Rural Enterprises Development - AF			50.00	4.70			50.00	4.70	3-Oct-16
Social Development	Land Management Support	30.00	0.00		4.95			30.00	4.95	15-May-16
	Women Economic Empowerment						15.00	0.00	15.00	
Infrastructure	DABS TA			5.00	6.00			5.00	6.00	10-Feb-16
	Power System Development - AF	13.00	15.00					13.00	15.00	7-Jul-15
	Naghlu Hydropower Rehabilitation			70.00	83.00			70.00	83.00	14-Dec-15
	Resource Corridors Project						35.00	0.00	35.00	
	E-Governance PPG - Digital CASA				5.00			0.00	5.00	29-Jun-16
	Municipal Development Program PPG				1.50			0.00	1.50	
	Urban NPP PPG				2.90			0.00	2.90	21-Sep-16
Technical Assistance	TA Project	2.00	0.00	4.00	5.00	4.00	5.00	10.00	10.00	29-Jun-16
Total		285.00	151.12	429.00	557.31	204.00	305.00	918.00	1013.43	

Notes to Aid Interpretation

- 1: Bold numbers** reflect amounts for actual approved projects. All projects shown in 1394 column. **Bold numbers** in 1395 and 1396 columns indicate either project so far approved or, for 1396, allocations tranché for 1396 (for CCAP).
- The rest -- all non-bold numbers -- indicate amounts for projects in the pipeline (1395 & 1396) under the FS as of now. This list is what constitutes the Update to the FS.
- The pipeline (projects under preparation or discussion for 1395 & 1396) are subject to change, including on design, timing, and amounts.
- In the original FS, \$200m was indicated against NSP IV, the actual name of the new project was later agreed to be Citizens' Charter Afghanistan Project.
- Citizens' Charter = \$400m, of which \$200m will be allocated during current FS with a first tranche of \$100m in 1395 & \$100m in 1396.
- In the original FS, \$50m was planned for the next phase of Rural Livelihoods Project. This is now the \$4.7m Additional Financing for AREDP in the Updated FS.
- Additional funds received from EU for NHLP account for the bulk of the difference between the \$1,013m in this FS Update and the projected total of \$918m in the original FS.
- The new Strategic Grain Reserves project will be financed by IDA and JSDF, not ARTF.
- Original FS did not anticipate Additional Finance for NSP III. The \$57m AF is from new donor contributions, not previously envisioned in original FS, in support of Jobs for Peace Program.
- Land Management project, original FS anticipated \$30m. ARTF will now only finance the preparation (\$4.95m). The \$30 million project will be financed from IDA.