

German Cooperation with Afghanistan

Progress Achieved Through the Afghanistan Reconstruction Trust Fund



Context

Decades of violent conflict have left large parts of Afghanistan's infrastructure destroyed. Electricity and water supplies, schools and hospitals are not comprehensively available and do not meet the needs of the population. While a great deal of development work has been carried out in recent years, numerous investment programmes are yet to be implemented. The Afghan state is unable to fund them independently from its own budget. Some 70% of the state budget is currently still funded from external sources such as the Afghanistan Reconstruction Trust Fund (ARTF).

Objective

By maintaining the proper functioning of the state and ensuring that the population continue to receive basic social services, the ARTF helps to stabilise the Afghan state and reduce poverty. The long-term goal is for Afghanistan to finance its own budget and development independently of external subsidies.

Measures & Results

The ARTF assists the Afghan government with implementing its national development strategy. The fund is financed by over 30 donor countries and had a budget of some EUR 820 million in 2016 alone. A total of about EUR 9 billion has been provided since it was set up in 2002. This makes the ARTF the key financing instrument for the Afghan civil sector.

The German Federal Ministry for Economic Cooperation and Development (BMZ) has contributed to the ARTF on behalf of the German government since 2002, providing over EUR 580 million in funding between 2002 and 2016. This makes it one of the principal donors to the fund, which is managed by the World Bank. KfW advises BMZ on all matters relating to the ARTF.



EUR **70** million for 2016

Overview	
Programme	Afghanistan Reconstruction Trust Fund (ARTF)
Commissioned by	German Federal Ministry for Economic Cooperation and Development (BMZ)
Partners	Afghan government World Bank (fund administrator)
Implementing organisation	German contribution financed via KfW
Provinces	Country-wide
Programme objective	Strengthen the capacities of the Afghan state to finance development activities itself

Periodic and ad hoc payments

- Periodic payments: Germany pays into the ARTF on an annual basis. The Federal Republic provided EUR 70 million for the fund in 2016, of which EUR 10 million was earmarked for the Afghan government's National Solidarity Programme and EUR 20 million for the Citizens' Charter.
- An incentive programme was also introduced in addition to the direct payments made into the state budget. Ten target agreements were concluded in the areas of public finance, governance, the investment climate/trade, and decentralisation as part of this programme.



EUR **8,4** billion has been paid into the fund so far by over 30 donor countries

- Ad hoc payments: In addition to providing periodic finance via the ARTF, the World Bank introduced ad hoc payments in 2013. These enable donor countries to tie the release of funding to the achievement of certain goals. Once the Afghan government achieves agreed goals, the ARTF can transfer funds to the Afghan budget. This allows donors to honour their Afghan partners' reform efforts in a targeted manner.

Allocation of funding

The ARTF finances running costs such as the salaries of civil servants, as well as specific national development programmes in the areas of rural development, agriculture, infrastructure, good governance, and social and human development.



A new canal allows residents to irrigate their agricultural land | © KfW

One such example is the Education Quality Improvement Program (EQUIP), for which Germany provided annual financial support of EUR 20 million between 2011 and 2015. At the beginning of the programme, just 200,000 girls attended school in Afghanistan, compared to the current figure of some 3.4 million. And boys are attending school more regularly too, with the number rising from one million in 2002 to around 5.2 million at present. Teaching quality has also improved as a result of 600,000 teachers undergoing didactic and subject-specific training, trainee teachers completing school placements.



Women receive support to sell their handicrafts and thus have an income | © KfW

Policy dialogue and donor coordination

Additionally, the ARTF offers a platform for policy dialogue between the international community and the Afghan government. Donor countries discuss their activities with one another and coordinate the support they provide.

Creation of state structures

Creating effective state structures is crucial to sustainable reconstruction and development of Afghanistan. Only once these structures are in place at national, provincial and district level will the Afghan government be able to meet its responsibilities and fulfil its duties. It is against this backdrop that the ARTF has a decisive role to play in co-financing the Afghan state budget, thereby supporting state structures in the country. In so doing, it is making a significant and direct contribution to ensuring the basic functioning of the Afghan government. This is the prerequisite for the country to operate independently of external subsidies in the long term.

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Contact:

Dr. Andreas Schneider

Director, KfW Office, Kabul

E andreas_2.schneider@kfw.de

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