



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Management Committee Meeting
MONDAY, MAY 4, 2020
MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- Habib Zadran, Deputy Minister of Finance for Finance
- Habib Daftani, Aid Management Directorate

Asian Development Bank (ADB)

- Narendra Singru, Country Director

Islamic Development Bank (ISDB)

- Ata Ur Rahman Durrani, Country Representative

UNDP

- Knut Ostby, Resident Representative a.i.

OFFICIAL OBSERVER - UNAMA

- Atul Gupta, Donor Coordination

ARTF SG OBSERVERS

- Sayed Saadat, Canada
- Betinna Horstmann, Germany
- Olivier Bangerter, Switzerland
- Julie Malec, US Embassy
- Natalija Waldhuber, EU

WORLD BANK (ADMINISTRATOR)

- Henry Kerali, Country Director
- Keiko Nagai, ARTF Program Manager
- Katie Blanchette, ARTF Operations
- Najibullah Ziar, ARTF Operations
- Tae Hyun Lee, Lead Country Economist
- Tobias Haque, Senior Country Economist
- Jane Ebinger, Program Leader

1. Administrator's Report on Financial Status of the ARTF

The Administrator presented the financial status of the trust fund as of April 30, 2020. The Administrator distributed a financial statement presenting (i) actual sources and uses of funds from the first two years of the Partnership Framework and Financing Program (PFFP) period, and the period through April 30, 2020, as well as (ii) projected sources and uses of funds for the remainder of CY 2020 (FY1399), the last year of the current PFFP. The Administrator presents the current cash position and commitments together with projections to ensure that ARTF finances are managed well and ARTF Steering Committee commitments to pipeline projects can be fully financed as approved.

Actuals: Between December 22, 2017 and April 30, 2020, donors contributed US\$ 1,779.6 million to the core ARTF (excluding contributions made through the Ad Hoc Payments Facility in connection with bilaterally negotiated incentive initiatives) against pledges of US\$ 2,505.56

million. During this period, the Administrator allocated a total of US\$ 1,778.90 million to ARTF sub-windows and activities. Taking into account the unallocated cash balance of US\$ 756.14 million with which the ARTF began the current Afghan fiscal year, as well as refunds to the ARTF parent account, the ARTF's current unallocated cash balance is US\$ 642.07 million. This sum is sufficient to finance the proposed allocation of US\$ 240.00 million to be made from ARTF resources to the 2020 Incentive Program Development Policy Grant, as proposed in the agenda.

Projections: During the remainder of CY 2020/FY1399) the Administrator projects donors will contribute an additional US\$ 726.00 million to the core ARTF. The Administrator expects to make allocations to ARTF sub-windows and activities totalling US\$ 1,228.56 million during this period. The projected allocations include the requested financing for the 2020 Incentive Program Development Policy Grant, as well as sums for endorsed pipeline initiatives currently under design and pending tranches for previously approved projects. Assuming that all donor contributions are paid-in as pledged, the Administrator currently projects an unallocated cash balance of US\$ 131.51 million in the ARTF parent account at the end of 2020.

The Administrator stressed that these projections are based on the currently endorsed pipeline of projects, and that discussions are ongoing now within the World Bank and with the Government to consider how the current portfolio and endorsed pipeline might be adjusted to support the COVID response. The Administrator offered to preview these discussions under "AOB" and noted that all adjustments would take account of the available ARTF resource envelope.

The Administrator certified that the ARTF has sufficient financial resources to finance the request presented to the Management Committee in this meeting and thanked the ARTF donors for contributions received as pledged in the first two years of the current ARTF Partnership Framework and Financing Program, as well as for their continued support.

2. REQUEST FOR APPROVAL: US\$ 240,000,000 in ARTF financing to support the 2020 Incentive Program Development Policy Grant.

The ARTF Administrator asked the MC to approve a US\$240 million grant from the Afghanistan Reconstruction Trust Fund (ARTF) for the proposed 2020 Incentive Program Development Policy Operation (IPDPG). The operation will be co-financed with an IDA grant of SDR 117.3.2 million (US\$160 million equivalent). The operation is expected to be presented to the World Bank Board of Directors for approval on May 7, 2020. It is the third of three planned stand-alone operations aligned with Government's current three-year program of policy reforms. The ARTF MC approved ARTF financing for the two prior operations on June 17, 2019 (2019 IP DPG, ARTF - US\$300 million, IDA – US\$100 million) and on July 9, 2018 (2018 IP DPG, ARTF – US\$210 million, IDA – US\$90 million). The operation will be composed of 11 tranches. The first tranche of US\$200 million (US\$160 of IDA and US\$40 million of ARTF) is associated with four prior actions. Ten tranches of US\$20 million each of ARTF resources are associated with tranche release conditions that are expected to be fulfilled by a specified Completion Date (November 15, 2020).

The Program Development Objectives are: i) strengthening the policy framework to support state effectiveness, private investment, and social inclusion; and ii) improving the policy and institutional framework for public financial management and fiscal sustainability. This IP DPG aims to support the Government of the Islamic Republic of Afghanistan in improving economic and fiscal self-reliance by supporting: (i) select reform areas of the Afghanistan National Peace and Development Framework; and (ii) key public financial management reforms pursued under the Fiscal Performance Improvement Plan. Policy actions supported by the operation are part of

Government's 3-year Incentive Program Reform Plan, included as Annex 5 to the Project Appraisal Document, which provides a roadmap for sequential policy reforms and implementation steps in relevant policy areas. Financing provided through the operation is vital for government operations and is equivalent to around 24 percent of civilian recurrent expenditure.

The Administrator described the historical background and policy priorities underpinning the 2020 IP DPG, reviewing the substantive policy reforms and impacts of previous iterations of the ARTF Incentive Program. The Administrator outlined the design of the 2020 program, explaining how it relates to the 2018 and 2019 Incentive Program Development Policy Grants, and how IDA and ARTF funds will contribute to support of prior actions and tranche release conditions. The presentation outlined how preparations for the 2020 IP DPG have been expedited and "frontloaded" with emphasis on prior actions to respond to fiscal needs arising from the COVID 19 pandemic, and how the program balances flexibility and rigor in the current uncertain environment. The Administrator described specific policy priorities addressed in the program and reviewed its fiduciary arrangements.

On behalf of the Government, Deputy Minister of Finance Zadran offered thanks to ARTF donors and to the World Bank for their support on preparation of the 2020 program, stressing the value of the IP DPG as a source of crucial support during a period of fiscal pressures and as a focal point for driving advances on key Government reforms.

The Administrator noted that upon approval of IDA financing by the WB Board of Executive Directors, submission of paperwork for, and processing of, the initial release of funds linked to completed prior actions can begin, with the aim of disbursing funding for prior actions in May.

Decision: The MC approved US\$ 240,000,000 in ARTF financing to support the 2020 Incentive Program Development Policy Grant.

3. VIRTUAL APPROVAL: Allocation of US\$ 1 million to a project preparation grant for the Afghanistan Agro-Water Climate Resilience Project and of US\$ 2,402,700 to the ARTF ASIST Window to finance the Afghanistan Energy Study 2.0.

The minutes document the MC's March 20, 2020 virtual (email) approval of two requests transmitted to the MC by email for approval in the absence of objection:

- A. *Allocation of US\$ 1 million to a project preparation grant (PPG) to support design and preparation of the Afghanistan Agro-Water Climate Resilience Project (AWCRP) project, together with required technical and operations manuals and safeguards instruments.*

The ARTF Steering Committee endorsed AWCRP as a pipeline ARTF initiative in the June 2018 PFFP. AWCRP will aim to consolidate follow-on work of the (closed) On-Farm Water Management Project and the Irrigation Restoration and Development Project, currently scheduled to close later in 2020. Design is expected to support Government priorities by strengthening resilience of agricultural systems to risks related to climate (mainly drought), pest and diseases. The PPG team will develop technical and operations manuals and safeguards instruments required for the Project, and conduct field surveys and studies required for design. The Ministry of Agriculture, Irrigation and Livestock (MAIL) will be responsible for the overall implementation and coordination of the PPG activities, including drafting the work programs and budgets, procurement, financial management, and monitoring and evaluation of the progress. During preparation, MAIL

will work closely with other ministries and government agencies that will have roles in designing and implementing the proposed project.

B. Allocation of US\$ 2,402,700 to the ARTF ASIST Window to finance the Afghanistan Energy Study 2.0.

The endorsed ARTF Partnership Framework and Financing Program established the Advisory Services, Implementation Support and Technical Assistance (ASIST) World Bank-executed window in the ARTF to finance coordinated technical assistance to strategically important sectors. The ARTF Steering Committee authorized use of up to US\$ 15 million (one percent of PFFP resources) in core ARTF resources for ASIST. Donors are also permitted to supplement core pledges with additional sums to support ASIST initiatives. Under the PFFP, specific requests for research, advisory, or technical assistance support from GoIRA ministries are presented to the ARTF Strategy Group (SG) for review and approval prior to initiation.

During its February 2020 meeting, the SG approved a proposal to use US\$ 2,402,700 in ASIST resources to support the Afghanistan Energy Study 2.0. The decision is documented in the summary of the SG's February 2020 meeting (section 2 of the meeting summary). The Afghanistan Energy Study 2.0 is intended provide longer-term analytical support assessing challenges and opportunities in the energy sector, informing policy and investments in support of the Government of Afghanistan's efforts to improve access to affordable, reliable and sustainable energy for all (SDG 7.1). The proposal would support the study from March 2020 through March 2023. Results from earlier phases of the Afghanistan Energy Study are publicly available on the Energypedia website.

The Administrator explained that the requests had been transmitted on March 15, 2020, with a five-day review period concluding COB on March 20. The Administrator typically sends a follow-up message at the conclusion of the review period confirming the approval. The Administrator noted that follow-up confirmation was not sent in this case because staff were traveling to remote work locations in connection with COVID-19 related relocations, but the approval became effective on March 20.

4. AOB: Preview of ARTF Portfolio Adjustments to Respond to COVID-19

As previewed in the presentation of ARTF finances, the Administrator noted that it is currently undertaking an exercise in partnership with GoIRA to consider how the IDA- and ARTF-financed portfolios can be adjusted 1) to re-orient current programming to better respond to needs arising from the COVID-19 pandemic and 2) to release funds to support the COVID-19 response through full or partial cancellation of other ongoing current programs. Discussions are likely also to affect timing of pipeline initiatives currently under preparation. The Administrator discussed a preliminary set of proposed adjustments with the ARTF Strategy Group at its March-April 2020 meeting and disseminated a document outlining suggested/proposed adjustments as of April 30 ahead of the MC meeting. As discussions progress, the Administrator will continue to keep the ARTF partnership informed.