

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE MEETING, KABUL

TUESDAY MARCH 28, 2017

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance

- Mr. Moheb Jabarkhail, Coordinator, Aid Management, MoF

Asian Development Bank

- Mr. Marko Davila

Islamic Development Bank

Mr. Ata Ur Rahman Durrani,

UNAMA

- Mr. Jan Muegge

WORLD BANK (Administrator)

- Mr. Shubham Chaudhuri, Country Director
- Mr. Stephen N. Ndegwa, Operations Manager
- Mr. Michael Stanley, Lead Mining Specialist
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Najibullah Ziar, Operations Officer
- Mr. Maazullah Hedayat, Communications Consultant
- Mr. Ehsanullah Shamsi, Operations Analyst
- Mr. Atiqullah Ahmadzai, Public Sector Specialist

1. APPROVAL OF MEETING MINUTES

The Management Committee (MC) approved the meeting minutes from the last meeting held on September 21, 2016.

2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF March 27, 2017

The Administrator presented the financial status of the trust fund as of March 27, 2017. The Administrator noted that the total pledges for the current Financing Strategy (FS) for FY1394-1396 (2015-2017) stands at US\$2.4 billion, of which US\$1.3 billion has been paid-in during the first two years (2015-2016), and US\$ 114 million has been paid-in during 2017 as of March 27, 2017, leaving a balance of US\$1 billion to be paid-in during the remaining 9 months of the current FS.

As of February 19, 2017, ARTF donors have shown intent to contribute US\$ 697 million in FY1396. The total pledges for FY1396 includes \$88.4 million from EU for Ad Hoc Payments (AHP). In addition, it also includes an additional \$15 million from USAID for the Higher Education Project. The total disbursements as of March 27, 2017 is US\$191.87 million. The Administrator also noted that the current unallocated cash balance stood at US\$360.76 million as of March 27, 2017. With today's MC approvals, a total of US\$283.30 million is expected to be allocated to the Recurrent Cost Window, and several investment projects, which will increase the committed cash balance to US\$1.39 billion. The

Administrator highlighted the fact that after this the total unallocated cash balance would be down to US\$77.46 million, which underscores the importance of ARTF donors paying in their contributions well before the end of the year. It was also noted that the committed cash balance of \$1.39 billion represents undisbursed funds across the 27 active ARTF investment projects, the RCW, the Research and Analysis Program, and the monitoring and supervisory agents.

3. Request for MC Approval: Afghanistan Extractives for Development Project Preparation Grant (PPG) (US\$ 7.3 million)

The Administrator is seeking the MC's approval of US\$ 7.3 million to support the preparation of the Afghanistan Extractives for Development (AE4D) Project. The proposed PPG is aimed at: (i) providing the Government of Afghanistan with the support necessary to allow them to continue to implement several activities that are critical to the development of their oil, gas and mining sectors, and (ii) to prepare for the implementation of the proposed IDA financed AE4D project, which is expected to go to the Board in March 2018.

Michael Stanley, Task Team Leader (the WB) presented the proposal, objectives of the PPG, and clarified upon the request from the MC that the PPG will help to bridge the gap and maintain the continuity of the support between the period the SDNRPII is closed and AE4D is active.

Ministry of Finance (MoF): Mr. Moheb Jabarkhail stated that the government supports both objectives of the PPG, and is committed to preserving the archaeological sites, and implementing the Extractives Industry Transparency Initiative (EITI).

Decision: The Management Committee approved US\$7.3 million for the Afghanistan Extractives for Development Project Preparation Grant.

4. Request for MC Approval: Change Management Project Preparation Grant (PPG), (US\$ 1 million)

The Administrator requested the approval of the MC for a Project Preparation Grant in the amount of US 1 million to support the preparation of the Change Management Project at the Ministry of Rural Rehabilitation and Development (MRRD). The task team (the WB) presented the proposal arguing that MRRD employs more project (contracted) staff than civil servants at the moment since it leads a number of large projects and thus making it a unique ministry. In order to streamline its structure and move project staff to the government Tashkeel to ensure sustainability, the government, through the change management process that started two years ago, requested a Project Preparation Grant.

The proposed Change Management PPG will support: (i) the preparation and design of a change management project within MRRD; (ii) the implementation of a number of activities that will support the ongoing reform in the Ministry; and (iii) the activities that will feed into the design of a potential project that will support more in-deep and systematic organizational and structural changes in the MRRD.

MOF: MOF shared the new direction in government's thinking on the issue, and suggested delaying approval of the PPG to a later date, to allow the team more time to explore ways to synchronize these activities with Citizens' Charter Afghanistan Project and the Capacity Building for Result (CBR) Project to avoid possible duplication.

Decision: Management Committee decided to defer the decision on this PPG to the next MC meeting tentatively scheduled for June, 2017.

5. Request for MC Approval: Replenishment of the ARTF Recurrent Cost Window Trust Fund (RCW TF) (US\$ 150 million)

The ARTF Administrator seeks the approval of the MC to increase the amount available in the ARTF recurrent Cost Trust Fund (RCW TF) with a total of US\$ 150 million. The funding is needed to cover: (i) upcoming payments under the Incentive Program (IP) to be endorsed by the ARTF IP Working Group Meeting scheduled for the end of March 2017.

Decision: The Management Committee approved the US\$ 150 million replenishment for ARTF Recurrent Cost Window Trust Fund.

6. Release of the Pending Tranche of US\$ 120 million to the System Enhancement for Health In Transition Project (SEHAT)

ARTF Management Committee was informed that a pending tranche of US\$ 120 million will be released to the SEHAT Project, increasing the total ARTF grant amount from US\$ 300 million to US\$ 420 million.

7. Update on the status of the ARTF Research and Analysis Program (RAP)

The Administrator asked the MC if they had any questions or comments on the ARTF RAP progress report that was shared prior to the meeting. The MC had no questions.

In the closing, Mr. Shubham Chaudhuri thanked the MC, and praised the efficiency of the approval process. He also added that the Administrator will work with the government to start periodic portfolio and pipeline reviews to improve coordination.

MC Virtual Approvals: The minutes document the MC's virtual approval in the absence of objection of the following projects which were approved since the September, 2016 meeting.

- Extension of Closing date and Additional Financing to the Afghanistan Rural Enterprise Development Project-\$4.7 million- Approved on October 3, 2016;
- Replenishment of the Recurrent Cost Window for US\$ 180 million – Approved on December 16, 2016;
- Restructuring, Extension of Closing date, and Additional Financing of US\$ 0.5 million for the First Public-Private Partnership Project PPG (formerly known as the Resource Corridors Project Preparation Grant)- Approved on January 30, 2017;
- Project Preparation Grant (PPG) for International Labor Migration and Domestic Labor Market Insertion (ILM & DLMI) for US\$ 5 million – Approved on January 30, 2017;

8. AOB

The Administrator informed the MC that the next meeting would tentatively be held in June 2017 to discuss the proposed additional financing to the Afghanistan Rural Access Project (ARAP), and the Higher Education Development Project (HEDP).