



**AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)**

**Management Committee Meeting**

**WEDNESDAY DECEMBER 13, 2017**

**MINUTES OF MEETING**

**MC MEMBERS**

**UNAMA**

- Mr. Atul Kumar Gupta

**WORLD BANK (ADMINISTRATOR)**

- Mr. Abdoulaye Seck, Manager, Operations
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Yousif Mubarak Elmahdi, Senior Public Sector Specialist
- Mr. Saidel Mayar, Operations Officer
- Ms. Adenike Sherifat Oyeyiola, Senior Financial Management Specialist
- Mr. Anand Kumar Srivastava, Senior Procurement Specialist

**1. APPROVAL OF MEETING MINUTES**

The ARTF Management Committee (MC) approved the meeting minutes from the last meeting held on July 10, 2017.

**2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF November 21, 2017**

The Administrator presented the financial status of the trust fund as of November 21, 2017. The Administrator noted that the total pledges for the core ARTF program under the current Financing Strategy (FS) for FY1394-1396 (2015-2017) stands at US\$2.44 billion, of which US\$1.8 billion has been paid-in to date.



Current Cash Position of the ARTF – The current ARTF cash balance is \$1.39 billion of which \$911.44 million represents undisbursed funds across the 28 active ARTF investment projects, the Recurrent Cost Window, the Research and Analysis Program, and the Monitoring and Supervisory Agents. The actual cash in the ARTF Parent Account as of November 21, 2017 is \$481.7 million. Following today’s MC approvals, \$296.30 million is planned to be allocated by the end of FY1396, leaving a cash balance of \$185.4 million. In addition, a total of \$821 million is planned to be allocated during the next Partnership Framework and Financing Program (PFFP) period (2018-2020) for the pipeline projects in the current FS and the pending tranches for the already approved projects during 2015-2017. The administrator highlighted the need for timely contributions to the ARTF as pledged by the ARTF partners to ensure that funding is available for the pipeline projects in the current FS as well as the new projects in the next PFFP for 2018-2020.

### **3. REQUEST FOR APPROVAL: Fiscal Performance Improvement Support Project (FSP) (US\$75 million)**

The ARTF Administrator requested the Management Committee to approve US\$75 million for the FSP. This ARTF grant will be co-financed with an IDA grant of \$25 million which will be presented to the World Bank Board of Executive Directors for approval on December 19, 2017.

The objective of the FSP is to “contribute to the improvement of domestic revenue mobilization and public expenditures management, and of reinforcing a performance oriented management culture in the Ministry of Finance”. The Project will focus on four Key Result Areas: (i) Improved development budget execution rate; (ii) Increase in domestic revenue as a percentage of GDP; (iii) Increased compliance with audit recommendations; and, (v) Improvement in core institutional capacity, represented by a reduction in the number of long-term technical assistants. The FSP constitutes the implementation arm of the Government of Afghanistan’s Fiscal Performance Improvement Plan (FPIP) and is intended to provide critical inputs in the form of upfront investments drawn directly from FPIP work plans. The FPIP, spanning the Ministry of Finance, National Procurement Authority, and Supreme Audit Office, is an ambitious and comprehensive reforms program that covers the whole breadth of public financial management. It is intended to both reinvigorate progress as Afghanistan seeks to move to the next level of performance, and introduce a new emphasis on sustainability, capacity building, and government leadership of reforms. It does so by providing a comprehensive approach to fiscal management reforms that expands beyond core PFM, for example through the inclusion of revenue administration and policy, HR reform, and macro-fiscal policy analysis.

The MC raised a question on why other revenue generating line ministries are not included in FSP. The team clarified that the implementing agencies included in FSP are leading the reforms throughout the government and, further added that the government has plans to expand the FPIP to 5 other line ministries of the government.



**Decision: The Management Committee approved US\$75 million financing for the Fiscal Performance Improvement Support Project.**

**4. 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 July 10, 2017 meeting.

**(a) Second Additional Financing to Afghanistan Rural Enterprise Development Project (AREDP) (US\$5 million).**

The Administrator requested the approval of the MC on October 12, 2017 for a second additional financing (AF) grant in the amount of US\$5 million to the Afghanistan Rural Enterprise Development Project. The additional financing was approved on October 23, 2017.

The proposed AF would help to finance the costs associated with a one-year extension of the Project, and designing a new operation which transitions the AREDP into a fully integrated scaled up national program that is in line with the Women Economic Empowerment National Priority Program (WEE-NPP) goals. A 9-month extension of the Project closing date from June 30, 2017 to March 31, 2018 was approved on June 22, 2017. This AF includes a further extension of the Project closing date by 3 months from March 31, 2018 to June 30, 2018 to allow adequate time for completion of all the proposed activities. The proposed AF will serve the following purposes: (a) Provide bridge financing to maintain core AREDP systems/staffing, etc. until the launch of the proposed WEE-RDP; (b) Fund technical design studies, assessments, exchange, consultations, spatial mapping etc. required to help design the WEE-RDP successor program; (c) Scale-up preparation work and design for smooth transition and swift implementation of the follow-on project under the WEE-NPP umbrella. The Results Framework has been updated to include indicators to capture the Project's readiness to transform to a women-focused intervention.

**(b) Allocation to the Monitoring Agent (MA) of the ARTF Recurrent Cost Window (US\$3 million).**

The Administrator requested the approval of the MC on October 29, 2017 for additional allocation in the amount of US\$3 million to finance monitoring of the ARTF Recurrent Cost Window (RCW). The additional allocation was approved on October 30, 2017.

These funds are required to replenish the child trust fund to finance the monitoring of the Recurrent Cost Window for the period October 1, 2017 to September 30, 2018.

**(c) Additional Funding for the Recurrent Cost Window (RCW) (US\$160 million).**

The Administrator requested the approval of the MC on November 16, 2017 for additional funding in the amount of US\$160 million for the Recurrent Cost Window (RCW). The additional funding was approved on November 20, 2017.



The additional funding is needed to cover: (i) upcoming payments under the Incentive Program (IP) to be endorsed by the ARTF IP Technical Working Group Meeting scheduled on December 17, 2017 and, (ii) payments under the Ad Hoc Payment (AHP) facility.

- 5. Updates to the MC:** The Administrator updated the MC on the fourth ARTF External Review which is on course to be completed by end December 2017; and the development of the next PFFP which is pending discussions with the government to clarify their investment priorities for 2018-2020, as well as more information from donors on their contributions to the ARTF for this period. An ARTF Steering Committee meeting is expected to be held soon to endorse the new ARTF PFFP for 2018-2020.