

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE MEETING, KABUL

MONDAY DECEMBER 14, 2015,

MINUTES OF MEETING

MC MEMBERS

MINISTRY OF FINANCE

- Mustafa Aria, Director, Aid Management, MoF

ASIAN DEVELOPMENT BANK

- Mr. Tom Panella

ISLAMIC DEVELOPMENT BANK

- Mr. Ata Ur Rahman Durrani

UNAMA

- Ms. Katherine Blanchette

WORLD BANK (ADMINISTRATOR)

- Mr. Robert Saum, Country Director
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Najibullah Ziar, Operations Officer
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Abedalrazq Khali, Sr. Water Resources Specialist
- Ms. Fanny Missfeldt-Ringius, Lead Energy Specialist
- Mr. Toru Konishi, Sr. Economist

1. APPROVAL OF MEETING MINUTES

The Management Committee (MC) approved the meeting minutes from the last meeting held on July 7, 2015.

2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF DECEMBER 10, 2015

The Administrator presented the financial status of the trust fund. The Administrator noted that the current unallocated cash balance stood at US\$547million. However as there are several projects at advanced stages of preparation, the funds would quickly be allocated and more would be required to meet the needs outlined in the ARTF Financing Strategy 1394-1396. The Administrator informed the MC of ongoing discussions with the MoF to agree on funding priorities for FY1395 and 1396 given the limited funding available. The update to the FS for 1395 is expected to be finalized in January 2016.

3. REPORT ON ARTF RESEARCH & ANALYSIS PROGRAM (RAP)

The Administrator informed the MC of the analytic and research studies approved under the first round of funding of the RAP for a total of US\$1.85 million. The approved studies reflect areas agreed with the Government under various sectors including transport, health, social protection and governance. The MC approved the transfer of an additional US\$850,000 to the SY1394 RAP allocation, and the transfer of US\$1.0million for SY1395 program. It was agreed that the list of studies would be

shared with other development partners (DPs), and that Bank task teams would reach out to them to share information and to ensure synergies with other related DP work. An update on some of the analytic work being undertaken would be presented to the MC in mid-2016.

4. APPROVAL: NAGHLU HYDROPOWER REHABILITATION PROJECT (US\$83MILLION)

The Project aims to improve dam safety and sustainability of hydropower and to increase the supply of domestically generated hydroelectricity at the Naghlu Hydropower Plant (NHPP). This will contribute to enhancements in the reliability of the electric power system and help benefit both households and industries, hence stimulating economic development and growth. The local population is also expected to benefit from employment opportunities during the project repair and rehabilitation phase. The Project will also have important climate change impacts through the enhancement of hydropower which has almost zero green-house gas emissions.

The MC asked what the implications for recurrent costs and capacity to manage the NHPP were for the government. They also enquired what mechanisms were in place to ensure the NHPP would be adequately maintained in the future. The World Bank team explained that as the power plant had fallen into disrepair over the years there was an urgent need for operations and maintenance, however DABS lacked the necessary spare parts to undertake the repairs. These would be provided through the NHRP over the next five years together with capacity building for engineers at DABS to ensure they would be able to adequately maintain the equipment in the future. In order to prevent a future repeat of the current scenario, the majority of project implementation would be done by the DABS staff with some support from international experts. This approach differs significantly from the previous energy project which entirely outsourced equipment maintenance and supervision works to external agencies. Further the soon to be negotiated DABS Technical Assistance Project would further support improvement of capacity at DABS. The team also explained that as most of the major procurements had already been initiated there was little risk of cost overruns in the future.

The IsDB noted that they had received a request from the Ministry of Energy and Water (MEW) to support the use of renewable energy at Naghlu. It was agreed that the Bank team would collaborate with them on related activities.

The ARTF Administrator asked the Management Committee to approve the US\$83 million financing.

Decision: The Management Committee approved US\$83 million financing for the NHRP.

5. APPROVAL: ADDITIONAL FINANCING TO THE ON FARM WATER MANAGEMENT PROJECT (US\$45MILLION)

The proposed additional financing to the On Farm Water Management Project (OFWMP) would continue to support improved agricultural productivity by enhancing the efficiency of water used through the rehabilitation of small scale irrigation schemes, and helping farmers learn new agricultural practices. The project will also have a focus on job creation through the use of a larger number of smaller contractors to maximize the number of unskilled labour for irrigation works, and improving engineering designs to facilitate operations and maintenance (O&M) by the communities. The project will create an estimated 591,000 additional person days of on-farm

labour annually, and will also incorporate activities that target women farmers. This project is part of the response to the government's new "Jobs for Peace" program. The progress towards achievement of the project development objective and project implementation progress of the original project are rated Satisfactory, with 97percent of the project funds already disbursed. Besides the additional financing, the team also proposes to: (i) extend the project closing date; and (iii) revise the results framework. The original OFWMP was initially financed by an ARTF grant of US\$41million, which was later reduced to US\$25million during a restructuring in 2013.

Decision: The Management Committee approved US\$45 million additional financing for the OFWMP.

6. Upcoming Meetings

The Administrator informed the MC that the next meeting would tentatively be held on January 21, 2015 to discuss proposed additional financing to the PFMR II, and a new DABS Technical Assistance Project. Both projects are scheduled to be negotiated with the MoF before the end of December, 2015. The actual meeting date would be confirmed by email in early January.

7. AOB

(i) Replenishment of the ARTF Recurrent Cost Window Trust Fund

The Administrator informed the MC that a tranche of US\$170million was transferred to the Recurrent Cost Window Trust Fund as per the decision of the virtual MC meeting of December 3, 2015. The funding will cover: (i) payments under the Incentive Program (IP) prior to the end of FY1394 (2015); (ii) the baseline financing of the first two quarters of FY1395 (2016); and (iii) potential Ad Hoc Payments (AHP) under the Recurrent Cost Window during the first quarter of 2016.

(ii) Restructuring of ARTF Projects

The Administrator informed the MC of four ARTF projects that had been restructured during FY16 (July-December 2016), including closing date extensions. These were: OFWMP; National Solidarity Program III; EQUIP II and the Afghanistan Resource Corridors Project Preparation Grant. The MC was also informed of other projects expected restructured in the first quarter of FY1395.