

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE MEETING, KABUL

MONDAY JULY 10, 2017

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance

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

Asian Development Bank

- Mr. Tomas Pannella

UNAMA

- Ms. Katie Blanchette

WORLD BANK (Administrator)

- Mr. Shubham Chaudhuri, Country Director
- Mr. Abdoulaye Seck, Incoming Operations Manager
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Janmejay Singh, Lead Social Dev. Specialist (Dubai)
- Mr. Juan Carlos Alvarez, Sr. Counsel (Dubai)
- Ms. Azada Hussaini, Rural Development Specialist
- Ms. Sheela Samimy, Team Assistant
- Mr. Luquan Tian
- Mr. Ajmal Askerzoy
- Mr. Samsor Alam
- Mr. Saidel Mayar
- Mr. Janardhanan Ramanujam (Chennai)

1. APPROVAL OF MEETING MINUTES

The ARTF Management Committee (MC) approved the meeting minutes from the last meeting held on March 28, 2017.

2. ADMINISTRATOR'S REPORT ON THE ARTF FINANCIAL STATUS AS OF July 9, 2017

The Administrator presented the financial status of the trust fund as of July 9, 2017. The Administrator noted that the total pledges for the current Financing Strategy (FS) for FY1394-1396 (2015-2017) stands at US\$2.44 billion, of which US\$1.25 billion has been paid-in during the first

two years (2015-2016), and US\$ 470 million has been paid-in during 2017 as of July 9, 2017, leaving a balance of US\$726 billion to be paid-in during the remaining 6 months of the current FS.

Current Cash Position of the ARTF- The current ARTF cash balance is \$1.53 billion of which \$969.36 million represents undisbursed funds across the 27 active ARTF investment projects, the RCW, the Research and Analysis Program, and the Monitoring and Supervisory Agents. The actual cash in the ARTF Parent Account as of July 10, 2017 is \$561.83 million. Following today's approvals, \$293.10 will be allocated, leaving a cash balance of \$268.73 million. The Administrator will for the next financial report also present the entire list of projects in the pipeline for the remainder of the current financing strategy, to give a full picture of the financial position.

MoF enquired what the potential impact of donors not paying in the expected contributions by the end of the fiscal year would be. The Administrator responded that this would mean projects in the pipeline in 1396 may not be approved until contributions are received. The Administrator also mentioned that they would supplement this potential challenge by frontloading IDA18 financing for some of the projects. The Administrator also noted the need to work closely with the government to prioritise investment projects for the next ARTF Financing Strategy as well as for IDA18 financing. Discussions with both the MoF and ARTF partners would be scheduled in the next few weeks on this issues to ensure that there is clarity on financing. The Administrator also noted that the financing ceiling for the Recurrent Cost Window under the next FS would likely be decreased to \$900 million as opposed to \$1.2 billion under the current ARTF FS to reflect the potential change in the financing landscape.

3. Request for MC Approval: Additional Financing to the Citizens' Charter Afghanistan Project- Emergency Regional Displacement Response (US\$ 44.3 million)

The ARTF Administrator requested the MC approval of US\$44.3 million additional financing (AF) to the Citizens Charter Afghanistan Project (CCAP)- Emergency Regional Displacement Response. This will be financed by additional contributions from the EU and Sweden US\$32.8 million and US\$8.5 million respectively to support the returnees, and US\$2 million from the ARTF pooled funds. This ARTF AF will be co-financed with an IDA grant of USD 127.7 million equivalent which was approved by the World Bank Board of Executive Directors on July 13th, 2017.

The World Bank CCAP Task Team Leader (TTL) provided an overview of the CCAP Emergency Regional Displacement Response that was prepared in response to the government's request for support for returnees and displaced populations, and how it complements the original CCAP.

Discussion: The Administrator clarified that the contributions from the EU and Sweden would be new contributions on top of their original pledges, and that the EU funding was part of their support for the Jobs for Peace initiative. ADB asked whether the AF would target only the returnees or the entire communities. The Administrator clarified that the entire host communities would be targeted with support and not only the returnees/displaced documents. ADB also asked about whether the monitoring arrangements of the project have been modified to monitor the effect of the new activities. The task team responded that there would be qualitative research done during the course of the Project through the learning and research sub-component to ensure that the programs could be accordingly modified or scaled up based on what was working well.

Decision: The Management Committee approved US\$44.3 million additional financing to the Citizens' Charter Afghanistan Project- Emergency Regional Displacement Response.

4. Request for MC Approval: Additional Financing to the Afghanistan Rural Access Project (US\$ 105 million)

The Administrator requested the approval of the MC for US\$ 105 million additional financing to the Afghanistan Rural Access Project (ARAP).

The proposed AF would help finance the costs associated with: (a) a US\$72 million financing gap which has resulted from the difference between the original cost estimates at the appraisal stage, and the revised costs from the detailed design (US\$69 million) largely because of an increased focus on climate resilience, and a financial loss due to IDA Special Drawing Rights (SDR) exchange rate fluctuations (US\$3 million); and (b) the scaling up of Project activities (US\$83 million) to increase the coverage of all-season road access, and to expand the rural road network coverage to increase other project co-benefits, especially job creation.

In addition, a restructuring is being processed which would include: (i) a 23-month extension of the original Project closing date of the ARTF grant is sought, from March 31, 2018 to March 15, 2020; and (ii) addition of a fourth component "Contingency Emergency Response," to enable a quick response to potential major natural and man-made disasters.

The World Bank transport task team provided an overview of the proposed activities, including that the majority of the funding would go towards supporting civil works, with \$5 million to support the feasibility study of the Torkham-Jalalabad Expressway. The team also noted that to date the Project has had positive achievements including construction of more than 2,000 km of secondary and tertiary road networks, establishment of a GIS road mapping system, creation of more than 9 million labour days, and over 1,000 new graduates benefitting from internships.

Discussion: A question was raised on the relationship between the ARAP and the NRAP. The team clarified that about 50% of the NRAP was financed by ARAP, and the remainder through government and bilateral funding sources. There is one Project Implementation Unit that manages NRAP at the MoPW. The team also clarified that most of the construction was through national competitive bidding, and that UNOPS was involved in the first 2 years of project implementation and are now no longer involved, with now implementation fully managed by UNOPS.

Decision: The Management approved the additional financing to ARAP in the amount of US\$105 million.

5. Request for MC Approval: Women's Economic Empowerment National Priority Program Project Preparation Grant (US\$5 million)

The ARTF Administrator seeks the approval of the MC for a US\$5 million project preparation grant (PPG) to support the Women's Economic Empowerment National Priority Programme (WEE-NPP). The objective of the PPG will be to support the Government of the Islamic Republic of Afghanistan (GoIRA) to establish a National Priority Program on Women's Economic Empowerment (WEE-NPP) that advances women's access to economic assets and opportunities.

The proposed WEE-NPP preparation grant will assist the Ministry of Labor, Social Affairs, Martyrs and Disabled (MoLSAMD) in mobilizing a core coordination team and establishing an umbrella program that will finance technical assistance, capacity building and analytical work at the MoLSAMD and in all the key line ministries^[1] and institutions that fall under the WEE-NPP Strategy to: (a) Increase the accessibility, analysis and use of gender statistics across line ministries; (b) Explore ways to deepen and scale up WEE initiatives into ongoing programs and operations (in agriculture, creative industries, access to finance, and, vocational and basic skills training initiatives) in order to improve the impact and sustainability of development investments; (c) Improve coordination between government, civil society and the private sector to reduce duplication, improve effectiveness of programme delivery, and identify new opportunities that will expand women's employment in high-potential industries/sectors; improve quality of products and provide markets; and support the exports as needed; (d) Build on existing knowledge to improve existing knowledge to improve legal provisions for women's economic activities and enhance implementation of the legal framework aimed at removing legal barriers to women's participation in the economy; (e) Establish an evidence base, carry out research and analytical work that will help to inform, report on and help improve ongoing and future investments in the country aimed at improving women's role and participation in the economy; (f) Establish an innovation fund to finance new ideas of engagement from civil society, private sector etc. aimed at building poor women's economic opportunities.

Discussion: The Bank WEE-NPP PPG co-TTL provided an overview of the proposed support that would be provided through this PPG, including technical assistance, analytic work, and an innovation fund for WEE. The proposed activities would be implemented over a 3-year period. The MC asked whether there are target dates for projects that would emerge from the PPG support. The co-TTL clarified that some projects were already ongoing, and that there is one in the pipeline that is expected to be delivered by Spring, 2018. The MC also requested clarity on the projects that are expected to be developed as part of operationalizing the PPG.

The MC also raised the issue of the multiple coordinating mechanisms (e.g. NAPW, 1325) that already exist on gender, WEE. The MC underscored the importance of ensuring clarity on the various coordinating bodies and the activities that the various programs are doing. The co-TTL clarified that during the first year of the program the focus would be on clarifying the monitoring framework and results envisioned under the NPP. The team further clarified that the NPP focuses on economic development activities such as increasing number of female agriculture extension workers, improving women's micro and small enterprises, improving financial literacy and enhancing access to finance for rural women. The focus areas and expected indicators will further be clarified during the PPG operation. The task team clarified that the PIU for this PPG would help coordinate the various projects of related line ministries.

The MoF asked why the PPG would be implemented over 3 years. The Administrator clarified that the PPG would in essence be supporting the government coordination mechanism for the WEE-NPP which would require time to clarify the various aspects of the Program, and provides the government the flexibility to develop various stand-alone programs over time. The name of the PPG would be amended to read WEE-NPP Support PPG.

^[1] Ministry of Women's Affairs (MoWA), Ministry of Agriculture, Irrigation and Livestock (MAIL), Ministry of Hajj and Religious Affairs (MoHRA), Ministry of Public Health (MoPH), Ministry of Commerce and Industries (MoCI), Ministry of Justice (MoJ), Ministry of Rural Rehabilitation and Development (MRRD), Central Statistics Organization (CSO), Ministry of Education (MoE), Microfinance Investment Support Facility for Afghanistan (MISFA), Ministry of Urban Development and Housing (MoUDH) and Ministry of Finance (MoF).

Decision: The Management Committee approved the US\$5 million PPG for the Women’s Economic Empowerment National Priority Program.

6. **MC Virtual Approvals:** The minutes document the MC’s virtual approval in the absence of objection of the following project which was approved since the March, 2017 meeting:

Mazar-e-Sharif Gas-to-Power Project-Preparation Grant (US\$6.5 million)

The Administrator requested the approval of the MC on June 12, 2017 for a US\$6.5 million grant to support the preparation of the proposed Mazar-e-Sharif Gas-to-Power Project. The PPG was approved on June 20, 2017.

The proposed PPG is aimed at: (i) providing the Government of the Islamic Republic of Afghanistan with the support necessary to allow them to continue to implement several activities that are critical to the development of their hydrocarbon sector; and (ii) preparing the implementation of the Mazar-e-Sharif Gas-to-Power Project entailing the provision of an IDA guarantee. The latter would backstop certain of Government’s payment obligations under the respective Implementation Agreement, which, in turn, derive from certain payment obligations assumed by Da’ Afghanistan Breshna Sherkat (DABS) under the Power Purchase Agreement (PPA), namely capacity and energy payments, as well as termination payments.

Activities to be supported under the proposed PPG include: (a) conducting a detailed technical and safeguards audit of the works already carried out by the Afghan Gas Enterprise (AGE) on the design and construction of a new pipeline from the gas fields in Sheberghan to Mazar-e-Sharif; (b) present a project implementation plan for the successful completion of construction; and (c) provide on-site supervision, technical, safeguards and project management support required for the successful completion of the construction of the pipeline, ensuring its integrity and quality in accordance to international standards and procedures.

7. **AOB**

- a. The MC supported the Administrator’s proposal for the ARTF MC to meet on the second Monday of every month whenever there are funding decisions to be reviewed.
- b. Next ARTF MC Meetings:
 - Virtual meeting the week of July 24, 2017 to request approval of US\$5 million Additional Financing to the Afghanistan Rural Enterprise Development Project
 - Mid- August 2017 (second Monday of August) to request approval of:
 - Additional Financing of US\$14 million to the Technical Assistance Facility Project
 - Additional Financing of US\$5 million to the Higher Education Development Project
- c. Projects Restructured in Quarter 4 of FY17: The Administrator informed the ARTF MC of the ARTF projects that had been restructured during FY2017, as per the table below.

List of ARTF Projects Restructured in Fiscal Year 2017 (July 1 2016-June 30 2017)

Fund	Fund Name	Project Approval Date	Previous Closing date	Current Closing date	Type of Restructuring
TF098459	National Solidarity Program III	24-Jan-11	31-Mar-17	31-Mar-17	Reallocation of funds between categories and Extension of end disbursement date of category 5 from December 31, 2016 to March 31, 2017
TF012029	Irrigation Restoration and Development Project	14-Mar-12	31-Dec-17	31-Dec-20	Extension of closing date to December 31, 2020
TF012533	Afghanistan Justice Service Delivery Project	31-May-12	1-Jun-17	30-Nov-17	Extension of closing date from June 1 2017 to November 30 2017
TF013093	Afghanistan Rural Access Project	15-Sep-12	31-Mar-18	15-Mar-20	Restructured to extend the closing date from 31 March 2018 to 15 March 2020 to accommodate additional financing activities; change project development objective; & add new safeguards policy on cultural heritage
TF013820	National Horticulture and Livestock Project	22-Dec-12	31-Dec-18	31-Dec-20	Extension of closing date from 31 December 2018 to 31 December 2020
TF0A3827	Citizen's Charter Afghanistan	27-Oct-16	31-Oct-20	31-Oct-21	Restructuring to include additional financing activities to support returnees, and extension of closing date from 31 October 2020 to 31 October 2021
TF017012	CASA 1000 Community Support Project	11-Apr-14	30-May-17	30-Jun-22	Restructured to extend the closing date from 30 May 2017 to 30 June 2020; and change implementation arrangements to align with the CCAP and main CASA 1000 Project
TF10024	Public Financial Management Reform II	14-Jun-11	30-Jun-17	31-Dec-17	Extension of project closing date from 30 June 2017 to 31 December 2017 to allow completion of activities and preparation of next project.
TF015003	Afghanistan Agricultural Inputs Project	30-Jun-13	30-Jun-18	30-Jun-19	Restructured to change project scope; partial cancellation of funds in the amount of \$7.5 million; and extension of the project closing date from June 30 2018 to June 30 2019
TFA3502	Afghanistan Rural Enterprise Development Project	11-Oct-16	30-Jun-17	31-Mar-18	Restructured to extend the closing date from June 30 2017 to March 31 2018
TF11447	Capacity Building for Results Project	21-Jan-12	31-Dec-17	30-Jun-18	Restructured to change implementation arrangements to IARCSC and extend closing date from December 31, 2017 to June 30, 2018

- d. Update on Preparation of the next ARTF Financing Strategy- the Administrator informed the MC on the ongoing discussions with the government and ARTF donors to prepare the next ARTF Financing Strategy for 1397-1399 (2018-2020). The final Strategy is expected to be presented to the ARTF Steering Committee for endorsement by December 2017. The MC asked about the timeline of the next ARTF External Review vis-à-vis the preparation of the new FS. The Administrator clarified that the two activities would be done in parallel with the expectation to conclude both by November/December, 2017.