

# AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

## MANAGEMENT COMMITTEE MEETING, KABUL

WEDNESDAY JUNE 29, 2016, 8 AM

### MINUTES OF MEETING

#### MC MEMBERS

##### MINISTRY OF FINANCE

- Dr. Mustafa Mastoor, Deputy Minister
- Mr. Moheb Jabarkhail, Coordinator, Aid Management Directorate

##### ASIAN DEVELOPMENT BANK

- Mr. Marko Davila

##### UNAMA

- Ms. Katherine Blanchette

#### WORLD BANK (ADMINISTRATOR)

- Mr. Robert Saum, Country Director
- Mr. Stephen Ndegwa, Operations Manager
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Juan Carlos Alvarez, Sr. Counsel
- Mr. Yousif Elfadil, Sr. Public Sector Specialist
- Ms. Naila Ahmed, Sr. Social Development Specialist
- Mr. Ahmanullah Alamzai, Agriculture Specialist
- Mr. Hazem Ibrahim, Sr. Agriculture Specialist
- Mr. Abdul Hameed Khalili, Operations Officer

#### 1. APPROVAL OF MEETING MINUTES

The Management Committee (MC) approved the meeting minutes from the last meeting held on May 15, 2016, with a minor correction to Section 4, line 3.

#### 2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF JUNE 28, 2016

The Administrator presented the financial status of the trust fund as of June 28, 2016. The Administrator noted that the total pledges for FY1395 stands at US\$1.04 billion, of which US\$517.91 has been paid-in to date. The total pledges for FY1395 include additional money for Jobs for Peace (NSP III)-US\$22.2 million

from the UK, US\$35 million from USAID and US\$80.6 million from USAID for Ad Hoc Payments (AHP). The total disbursements as of June 28, 2016 is US\$484.23 million. The Administrator also noted that the current unallocated cash balance stood at US\$524.94 million as of June 28, 2016. A total of US\$ 74.80 is expected to be received from the UK and Denmark within the next month. With today's MC approvals, and with the pending ARTF Recurrent Cost Window (RCW) allocation, a total of US\$445.41 million would be allocated to RCW, Investment Window and other operations during the next month. The Administrator highlighted the fact that after this the total unallocated cash balance would be down to US\$154.34 million, which underscores the importance of ARTF donors paying in their contributions early before the end of the year. It was also noted that the committed cash balance of \$984.14 million represents an undisbursed funds across the 21 active ARTF investment projects, the RCW, and the monitoring and supervisory agents.

### **3. REQUEST FOR APPROVAL: ADDITIONAL FINANCING TO THE THIRD NATIONAL SOLIDARITY PROGRAM (NSP III) (US\$ 57,255,800)**

The ARTF Administrator is requesting the Management Committee to approve: (i) additional financing (AF) in the amount of US\$ 57,255,800 for NSP III. The proposed AF will help to scale up results achieved under the original project by supporting the geographical expansion of activities under the Maintenance Cash Grants (MCG) scheme (which supports the Government's "Jobs for Peace" initiative in the original project) from 3,700 Communities in 12 Provinces to an estimated 4,200 communities in another 19 Provinces. The initial round of MCG's amounting to about AFN 2.1 billion (US\$ 31.46 million) was disbursed to more than 3,700 communities. Work is still ongoing and these funds are expected to generate 4 million paid for labour days, benefiting an estimated 182,000 families. This will also result in the maintenance of essential infrastructure in rural areas, support the sustainability of CDCs as development platforms across the country and to demonstrate to the rural populations the presence and ability of the government to continue to deliver services and benefits.

The MC requested more detailed information on the geographical scope and use of the AF. The Bank team clarified that the initial round of MCG had been piloted in only 12 provinces, but would now be scaled up to an additional 19 provinces. US\$45 million of the AF would go towards the MCG scheme and the balance for project implementation support and operating costs. Approximately US\$10,000 would be provided to each community for labour intensive works to support maintenance of infrastructure built under the previous NSP phases, as well as other activities such as canal cleaning. The MC also asked whether there would be any community contributions to the MCG scheme, and the plans for sustaining the program in the future. The team responded that since this scheme was intended to help provide jobs for communities, there is no community contribution unlike with the previous block grants. The MCG are expected to be fully disbursed by December, 2016 with project closure in March 2017. The team also clarified that communities have been informed the MCG are a onetime support intended to provide jobs in the short term. Further support should be expected within the context of the Citizen's Charter Program.

The ARTF Administrator asked the Management Committee to approve the additional financing to the NSP III.

**Decision: The Management Committee approved US\$57,255,800 million additional financing for the Third National Solidarity Program (NSP III).**

#### **4. REQUEST FOR APPROVAL: ADDITIONAL FINANCING TO THE NATIONAL HORTICULTURE AND LIVESTOCK PROJECT (NHLP) (US\$90 MILLION)**

The ARTF Administrator is seeking the MC approval of: (i) additional financing in the amount of US\$90 million for the NHLP; (ii) revision of the project results framework; and (iii) extension of the project closing date from December 31, 2018 to December 31, 2020. Project implementation progress is rated as satisfactory. The original US\$100 million NHLP initially started in 22 provinces and is currently implemented in 28 provinces. Project activities contribute to improved household food security, income, and job generation. As of December 2015, the project has reached over 163,311 farmers and herders of whom at least 70,000 are women, and has exceeded targets in both establishing new orchards and rehabilitating existing ones, while continuing to develop farm advisory services and technology transfer in collaboration with MAIL in both the horticulture and livestock subsectors. The proposed additional financing will expand the project activities up to 34 provinces, security conditions permitting, with a greater focus on marketing of produce. Farmer learning centres will be established, and investment packages provided- farm inputs and technical advice on new farming technologies.

The MC noted that the estimated project effectiveness date in the project paper would need to be adjusted from May 30<sup>th</sup> to a future date. The task team will revise this accordingly. The MC asked how the project would work through local intermediaries. The team responded that the community development councils would be the entry point for identifying and engaging with farmers, and then further work would be done with local farmers groups.

The ARTF Administrator asked the Management Committee to approve the additional financing to the NHLP.

**Decision: The Management Committee approved the US\$90 million additional financing to the NHLP.**

#### **5. REQUEST FOR APPROVAL: TECHNICAL ASSISTANCE FACILITY (TAF) (US\$5 MILLION)**

The ARTF Administrator requests MC approval of US\$5 million for the TAF. The objective of the TAF is to strengthen the fiscal management and the budget planning performance of the Government of Afghanistan. Specifically the proposed technical assistance will contribute to the improved performance of the Macro Fiscal Performance Directorate General and strengthened institutional capacity of the Programs Implementation and Coordination General Directorate in fiscal policy, management and sector budgeting respectively.

The team explained that most of the technical assistance activities were not defined upfront but are instead framed within the Ministry of Finance's 5 year rolling work plan. The TAF would be piloted for a couple of years, and progress and effectiveness of the project would be reviewed at mid-term, before a decision for

possible additional financing would be taken. The project would be directly managed by the MoF instead of a separate project implementing unit.

The MC asked whether the TAF would only hire short term international consultants, and how the project would contribute to building up the skills and capacity of the MoF departments. The team informed the MC that the TAF would only hire short term specialized consultants who could be either local or international depending on the skills sought. Also that the aim of the TAF would be to fill short term gaps (at most 6 months consultancies) in knowledge and to produce specific short term outputs in response to that, and not to create parallel structures in the MoF with long term technical assistance. They further clarified that the consultancies would be reviewed on a case by case basis to determine whether the duration could be longer than 6 months. It was agreed that there would need to be a balance between short term technical assistance and building up skills over the long term.

The ARTF Administrator asked the Management Committee to approve the financing for the TAF.

**Decision: The Management Committee approved the US\$5 million financing to the TAF.**

## **6. REQUEST FOR APPROVAL: DIGITAL CASA AFGHANISTAN PROJECT PREPARATION GRANT (US\$5 MILLION)**

The ARTF Administrator requests the MC approval of US\$5 million to support the preparation of the Digital CASA 1 Afghanistan Project. The Digital CASA 1 Afghanistan will be the first of a regional “series of projects” (SOP) program, in partnership with the International Finance Corporation (IFC). The project will aim to implement a regional, cross-border approach to improve broadband Internet connectivity in the landlocked countries in Central Asia and South Asia by catalysing private sector investment and cross-sector infrastructure sharing and modernizing relevant policies and regulatory frameworks. The project is expected to support various activities related to the demand side, supply side, and the enabling environment. The proposed preparation grant will enable the Ministry of Communications and Information Technology (MCIT) to carry out preparatory activities for the projects, including but not limited documents, technical advisory consultancies, and preparation of bidding documents and safeguards documents.

The MC asked what the financing envelope of the Digital CASA Project would be and whether similar projects were being launched in the neighbouring Central and South Asian countries. The Administrator clarified that the project envelope may be up to US\$90 million, with the final amount to be defined during the design phase, since such regional projects have the advantage of being able to leverage country IDA, regional IDA and ARTF resources. The team informed the MC that Kyrgyzstan and Kazakhstan had officially requested support from the World Bank for similar projects, and that discussions were still ongoing with Tajikistan and Pakistan. Also that World Bank staff from the neighbouring countries had participated in the recent concept review meeting for the project. The MoF raised the importance of engaging with Afghanistan’s neighbours to ensure that the regional activities do happen, as well as of capacity building of the Afghan counterparts to particularly on the legal aspects related to the project. The team explained that the proposed enabling environment activities would include supporting the regulatory environment and identification of critical IT skills. The MC also questioned whether in the event of delays in agreements with

the neighbours, the project as a stand-alone would benefit Afghanistan. The team informed the MC that even on its own, the project would be beneficial as the entire country would be connected to the fibre optic network, and all government offices would have internet connectivity.

The ARTF Administrator asked the Management Committee to approve the US\$5 million preparation grant for the Digital CASA Project.

**Decision: The Management Committee approved the US\$5 million for the Digital CASA preparation.**

## **7. REQUEST FOR APPROVAL: RESTRUCTURING OF THE SECOND JUDICIAL REFORM PROJECT.**

The ARTF Administrator requests the MC approval of the restructuring of the Second Judicial Reform Project. The proposed restructuring aims to increase the likelihood of achieving the Project Development Objectives (PDOs) and ensuring efficient utilization of Project resources by re-aligning Project activities with the current priorities of the government. Specific changes are: Change in Project scope and design by dropping *Component 1: Partnership for Justice* and streamlining the scope of activities supported under other components; (ii) Partial fund cancelling of the original amount approved for the Project; (iii) reallocation of resources among Project components and related changes to the financing plan; (iv) Revision of the Results Monitoring Framework to reflect the new scope of the Project; and (v) Change in implementation arrangements to consolidate and streamline management of Project resources. The partial cancellation of funds would reduce the financing envelope from US\$85 million to US\$25 million; US\$17 million of which has already been disbursed, and with the balance committed to activities. The cancelled funds would be returned to the ARTF parent account. It is expected that streamlining the scope of the Project through this restructuring will help to focus on activities that would help to lay the foundation for eventual reform of the justice sector, for instance mapping of the justice institutions and development of a human resources strategy.

The MC asked whether any support would be given to the Attorney General's Office (AGO) through the project and also how the Project would contribute to the SMAF indicator on launching a Justice Reform Plan. The team responded that some of the remaining activities in the project are specifically aimed towards support to the AGO. Also that early discussions between the AGO, the other two justice institutions, other donor partners and the Bank had been held to define a programmatic approach on reforms to be supported by all the donor partners in the future. The team clarified that these discussions including on the Justice Reform Plan were being led by other donor partners.

The ARTF Administrator asked the Management Committee to approve the restructuring of the project.

**Decision: The Management Committee approved the restructuring of the Second Judicial Reform Project.**

## **8. APPROVAL: ARTF RECURRENT COST WINDOW MONITORING AGENT (US\$3.2 million)**

The Administrator informed the MC that US\$3.2 million had been allocated to finance the monitoring of the Recurrent Cost Window as per the decision of the virtual MC meeting of June 25, 2016. The contract for

the current Recurrent Cost Window Monitoring Agent (MA) will end on June 30, 2016, and a new MA firm has recently been selected following a competitive bidding process which the World Bank started in early 2016. These funds are required in order to finalize the process and have the new contract signed by June 30<sup>th</sup>, 2016. The contract will be drawn up for 12 months (July 1, 2016-June 30, 2017) with the option of a one year extension based on a positive evaluation.

**9. AOB**

**(i) Tentative Date for Next MC Meeting**

The Administrator informed the MC that the next meeting would tentatively be held in mid-August, 2016 for approval of additional financing to the Afghanistan Rural Enterprise Development Project (AREDP).