



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Management Committee Meeting

MONDAY MARCH 12, 2018

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- Mr. Aman Farahi, DG Policy Analysis
- Mr. Waleed Rashid, Advisor
- Ms. Sheela Samimy, Sr. Aid Coordination Specialist

Asian Development Bank (ADB)

- Mr. Peter Rodger
- Mr. Sayed Masood Alam

WORLD BANK (ADMINISTRATOR)

- Mr. Shubham Chaudhuri, Country Director
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Constantine Chikosi, Lead Operations Officer
- Mr. Samsor Alam, Operations Officer
- Ms. Sulaiman Akbari, Private Sector Specialist
- Mr. Tawab Hashemi, Senior Health Specialist
- Mr. Habib Ahmadzai, Operations Officer

1. APPROVAL OF MEETING MINUTES

The ARTF Management Committee (MC) approved the meeting minutes from the last meeting held on December 13, 2017.

2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF JANUARY 20, 2018

The Administrator presented the financial status of the trust fund as of January 20, 2018. 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\$1.99 billion has been paid-in to date.



Current Cash Position of the ARTF – The current ARTF cash balance is US\$1.53 billion of which US\$798 million represents undisbursed funds across the 29 active ARTF investment projects, US\$84.42 million undisbursed in the Recurrent Cost Window, US\$1.15 million in the Research and Analysis Program, and US\$21.83 million reserved for the Monitoring and Supervisory Agent contracts. The actual cash in the ARTF Parent Account as of January 20, 2018 is \$579.49 million. With today’s MC approvals, \$160 million in new financing is planned to be allocated in the first four months of FY1397. In addition, the following is planned to be allocated (complete list in table below): (i) US\$ 200 million to the Incentive Program, (ii) a second tranche of US\$100 million to the Citizens Charter Afghanistan Program; (iii) a final tranche of US\$65 million to the SEHAT Project (iii) US\$75 million to the Fiscal Performance Improvement Support Project; and (iv) US\$5 million to the Labour Migration Project Preparation Grant. This would leave a deficit of US\$24 million. 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 ARTF Partnership Framework and Financing Program, (PFFP) for 2018-2020. If contributions are not received in the next few months, the Administrator will be unable to commit financing for new programs from June 2018 onwards. The projected cash balance as of the end of April 2018 after the above allocations are made is shown in the Table attached as an annex to these minutes.

Project Name	Amount US\$ Millions
Incentive Program	200
Citizens Charter Afghanistan Program	100
SEHAT Project	65
Labor Migration Project Preparation Grant	5
Fiscal Performance Improvement Support Project	75
Sehatmandi Project	130
Afghanistan Public-Private Partnerships and Public Investment Advisory Project	30
Mazar Gas to Power Project - PPG	7
Total	612



3. REQUEST FOR APPROVAL: Afghanistan Public-Private Partnerships and Public Investment Advisory Project (PPIAP) (US\$ 30 million)

The ARTF Administrator requested the Management Committee to approve US\$30 million for the Afghanistan PPIAP). This proposed ARTF grant will be co-financed with an IDA grant of US\$20 million equivalent which will be presented to the World Bank Board of Executive Directors for approval on 28 March 2018. The proposed PPIAP is expected to be implemented for a five-year period from 28 March 2018 to 28 June 2023.

The Project Development Objective (PDO) of the PPIAP is to develop a pipeline of feasible private and publicly funded projects. Given its fiscal constraints, the GoIRA must maximize funds available for infrastructure and other development priorities. The theory of change is that the capacity building and the technical assistance (TA) to streamline the public investment and Private Public Partnerships (PPP) institutional framework and the undertaking of robust pre-feasibility and feasibility studies, that are reviewed by relevant committees in alignment with the national development priorities, will support sustainable and strategic investment. Once implemented, both the public and PPP financing pipelines developed with project support will provide solutions for priority investment needs and stimulate private sector development for higher economic growth and better service delivery.

The project will benefit two main stakeholders: (a) Government institutions in the form of TA and capacity-building training, mainly to the MoF CPA and Policy Department and other agencies sponsoring PPPs, and (b) large, medium, and small private investors by helping identify and prepare infrastructure and other projects and addressing investor concerns.

To achieve its objective, the project will introduce standard project appraisal and preparation models, along with sound legal, regulatory, and institutional policies that encourage private investment and optimal use of public resources to maximize available finance for development. The project will provide capacity-building support to relevant government agencies to allocate funds for development investment projects efficiently.

Discussion: The ADB informed the MC of their planned program of PPP support for the Government of Afghanistan which falls under 2 main pillars: (i) capacity development and advocacy to help the government implement PPP policy reforms and implement infrastructure PPPs; and (ii) supporting the policy and legal institutional environment, including drafting of by-laws. The ADB plans to work with the MOF PPP Unit on both advisory and policy aspects, and has already been collaborating with the World Bank team in this area and welcome the proposed project as a step to providing technical and commercial expertise to prepare and evaluate future PPPs. The ADB mentioned it's work with State Owned Enterprises (SOEs) and highlighted the importance of synergizing the work under the SOE director with the Central Partnership Authority. The ADB noted the importance of ensuring involvement of their energy and transport sector leaders in future dialogue and consultations related to potential PPPs in these areas.

The World Bank PPIAP team confirmed that they have already been coordinating efforts with ADB, DFID and other development partners active in PPPs (donor group that meets monthly),



and noted that this will continue to ensure that they are focusing on areas of synergies and avoiding duplication especially on the policy reforms.

Decision: The Management Committee approved US\$30 million financing for the Afghanistan PPIAP.

4. REQUEST FOR APPROVAL: Afghanistan Sehatmandi Project (US\$ 130 million)

The ARTF Administrator requested the MC to approve an initial tranche of US\$130 million for the Afghanistan Sehatmandi Project. This proposed ARTF grant will be co-financed with an IDA grant of US\$140 million equivalent which will be presented to the World Bank Board of Executive Directors for approval on March 28, 2018, and a Global Financing Facility Grant of US\$35 million.

The Administrator highlighted that the ARTF financing for the project would be provided in three tranches each requiring separate approval by the MC as follows: (i) US\$ 130 million on MC approval of the project in 2018; (ii) US\$160 million in 2019 on completion of year one of implementation; and (iii) US\$135 million in 2020 on completion of the second year of implementation subject to the Ministry of Public Health (MOPH) meeting the pre-agreed tranche release conditions.

The proposed Sehatmandi Project is expected to be implemented for a three-year period from 28 March 2018 to 30 June 2021.

The Sehatmandi Project Objective is to increase the utilization and quality of health, nutrition, and family planning services. The project will consist of the following three components: (i) Improving Service Delivery; (ii) Strengthening the Health System and its Performance; and (iii) Strengthening Demand and Community Accountability for Key Health Services. The Project will build on the success of previous projects and support the delivery of the Basic Package of Health Services (BPHS) and the Essential Package of Hospital Services (EPHS) through greater focus on performance in service delivery. As part of the continual learning process, at least four strategies for strengthening performance will be highlighted: encouraging innovations, increasing managerial autonomy, increased focus upon results and greater attention to lagging program areas such as family planning and nutrition.

Discussion: The MOF confirmed their support for the proposed Sehatmandi program. The World Bank noted that the proposed tranching financing for the Sehatmandi Project financing was partly for ARTF cash management purposes, but also because this is a mechanism to ensure that the MOPH meets agreed performance benchmarks.

Decision: The Management Committee approved the first tranche of US\$130 million financing for the Afghanistan Sehatmandi Project.

5. AOB.

- a) PFFP: The Administrator informed the MC on progress in the development of the 2018-2020 ARTF PFFP. Discussions with the government to outline the key priority areas for ARTF financing were in the final stages, with an ARTF Steering Committee meeting



tentatively scheduled for April 10th for discussion and endorsement of the new PFFP. It was noted that ARTF donor pledges for the next 3 years stand at US\$1.8 billion, with the amount expected to increase to about \$2.4 billion once a few of the partners provide information on their planned contributions.

- b) Next approvals in June: three pipeline projects co-financed by the ARTF and IDA are expected to be presented to the MC and the World Bank Board for approval in June 2018- The Afghanistan HRM and Institutional Reform (TAGHIR) Project; the Education Quality Reform in Afghanistan (EQRA); and the Incentive Program Plus.



Consolidated Cash Flow for ARTF Parent Account - First four months FY1397 (2018)						
	January	February	March	April	Totals	
Sources of Funds						
Opening Balance	447	481	535	121		
Donor Contributions	140	57	21	20	238	
Other Receipts	0	3	0	0	3	
Sources of funds - 1	587	540	556	141	688	
Uses of Funds: (allocations from the ARTF Parent Account)						
Recurrent Cost Financing - 2	(100)		(100)	(100)	(300)	
Investment Projects approved by MC						
Mazar Gas to Power Project - PPG - MC June 20, 2017	(7)				(7)	
International Labor Migration - (PPG) (MC Jan 2017)		(5)			(5)	
Fiscal Performance Improvement Project (MC Dec 13, 2017)			(75)		(75)	
System Enhancement for Health in Transition (pending tranche)				(65)	(65)	
Citizens' Charter Program (pending tranche)			(100)		(100)	
Sub-total Investment Financing - A	(7)	(5)	(175)	(65)	(252)	
Financing for new ARTF proposals (pipeline)						
Sehatmandi (total US\$425) - Initial tranche of US\$130			(130)		(130)	
Public-Private Partnership & Public Invest. Advisory Project			(30)		(30)	
Sub-total Investment Financing - B	0	0	(160)		(160)	
Total Investment Window Allocations - (A+B) = 3	(7)	(5)	(335)	(65)	(412)	
Total allocations out of parent account - 2+3	(107)	(5)	(435)	(165)	(712)	
Balance at end of the month (surplus/deficit)	481	535	121	(24)	(24)	