

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE (MC) MEETING

MONDAY MAY 25, 2015, 2 PM KABUL

MINUTES OF MEETING

MC MEMBERS

MINISTRY OF FINANCE

- Maseeh Kargar, Aid Coordination Specialist
- Sher Khan Nassery, Aid Management

ASIAN DEVELOPMENT BANK

- Mr. Hans Woldring

ISLAMIC DEVELOPMENT BANK

- Mr. Ata Ur Rahman Durrani

WORLD BANK (ADMINISTRATOR)

- Mr. Robert Saum, Country Director
- Ms. Ditte Fallesen, Senior Operations Officer
- Mr. Paul Sisk, Lead Financial Management Specialist
- Mr. Macmillan Anyanwu, Senior Country Officer
- Ms. Azada Hussaini, Operations Officer
- Mr. Anantha Karur, Financial Management Analyst
- Mr. Wali Ahmadzai, Financial Management
- Mr. Tawab Hashemi, Senior Health Specialist
- Mr. Sayed Ghulam , Senior Health Specialist
- Mr. Habib Ahmadzai, HNP Consultant

1. APPROVAL OF MEETING MINUTES

The Management Committee approved the meeting minutes from the last meeting on September 24, 2014.

2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF MAY 25, 2015

The Administrator presented the financial status of the trust fund. The Administrator first explained that a new ARTF Financing Strategy was to be approved in time for the start of FY1394. However, the political transition delayed the process and to allow the new Government additional time to agree on development priorities for ARTF funding in the coming years an Interim Arrangement was endorsed by the ARTF Steering Committee in March 2015. The Interim Arrangement allows Government to move forward on a set of agreed core priorities, including Recurrent Cost baseline, the ongoing IP, tranches for ongoing programs and new funding for a number of priorities, health included. The new Financing Strategy is expected to be endorsed by the end of June 2015.

The Administrator noted that while the current unallocated cash balance might seem large at around US\$500 million, the funds would quickly be allocated and more would be required to meet the needs of the new ARTF Financing Strategy. The peak season for donor contributions is normally from September to December and additional funding is expected during this period to support the requirements of the Financing Strategy.

3. APPROVAL: SYSTEM ENHANCEMENT FOR HEALTH ACTION IN TRANSITION (SEHAT) Additional Financing (US\$246.9 million)

System Enhancement for Health Action in Transition (SEHAT) was approved by the ARTF Management Committee (MC) for a full amount of US\$370 million in June 2013 of which US\$100 million was approved by the Board of Directors of the International Development Association (IDA) and the remainder of US\$270 million was to come from the ARTF. At the time of approval in June 2013, a first tranche of US\$100 million was released from the ARTF and a second tranche was released in April 2015 following solid project progress in implementation and disbursement. The original SEHAT project covered 21 of the country's 34 provinces as well as the urban Kabul.

Additional financing, totaling US\$246.9 million, was put forward by the ARTF Administrator for approval by the MC to finance the additional 13 provinces in Afghanistan. These provinces has up and until June 30, 2015, been covered by USAID, who has now asked the World Bank through the ARTF to take over the funding of the Basic Package of Health Services (BPHS) and Essential Package of Hospital Services (EPHS) to ensure programmatic approach mainstreaming of financing for services managed by Ministry of Public Health and delivered by implementing partners (NGOs and Provincial Health Directorates).

The Management Committee asked how the 21 provinces currently supported by SEHAT were selected and whether SEHAT is supporting maternal health services including fistula program. Currently the Islamic Development Bank is financing a fistula project through UNFPA.

The World Bank team explained that the selection of the provinces was done by the Ministry of Public Health. Since 2002 the provision of BPHS and EPHS had been divided geographically among 3 major donors USAID (13 provinces); EU (10 provinces) and the World Bank (11 provinces). With the introduction of SEHAT in June 2013, the EU opted to channel its resources via ARTF to SEHAT and their 10 provinces were therefore added to the program. Hence SEHAT initially financed BPHS and EPHS in 21 provinces. With the

USAID joining SEHAT via ARTF the scope of financing of SEHAT becomes nationwide, covering financing of BPHS and EPHS in all 34 provinces of the country.

Maternal and Child health are the key components of BPHS and EPHS. The project finances BPHS and EPHS mainly in rural areas. The tertiary care hospitals are not covered by the project. The fistula services is offered via a tertiary maternity hospital in Kabul. A good referral system has been established between the facilities financed by SEHAT in the rural areas and the fistula services in Kabul. The Bank team committed to coordinate closely with partners active in the health sector to ensure collaboration and dialogue.

The ARTF Administrator asked the Management Committee to approve the US\$246.9 million in additional financing with a first tranche of US\$100 million for immediate release. The transfer of the remaining financing will be subject to project progress in implementation and disbursement.

Ministry of Finance expressed its support for the additional financing.

Decision: The Management Committee approved the additional financing of US\$246.9 million with the immediate release of US\$100 million. Based on progress in disbursements, i.e. project cash flow, the Administrator will inform the MC of the release of further tranches.

4. FOR INFORMATION: SUPERVISORY AGENT PHASE IV (US\$25 million for 3 years)

The Administrator informed the Management Committee that a tranche of US\$25 million will be transferred from the ARTF for the next phase of the ARTF Supervisory Agent program. The next phase will cover a 3-year period from September 1, 2015 to August 30, 2018. The ARTF Interim Arrangement, approved by the ARTF Steering Committee in March 2015, allows for continued financing (tranche releases) for a number of ongoing projects, including the ARTF Supervisory Agent.

5. UPCOMING MEETINGS

The ARTF Administrator informed the MC that a next MC meeting is to be held during the second part of June 2015 to discuss a new higher education project. The exact date would be communicated to the MC via email.

6. AOB

- i. Audits: The ARTF Administrator informed the MC that audits for some ARTF projects for FY1393 are expected to be delayed. All ARTF projects are in accordance with World Bank policies audited annually and audits are to be submitted to the World Bank at the latest 6 months after the closing date of the fiscal year, i.e. June 21, 2015. However, this year up to 50 % of the audits may be delayed. This could potentially have significant negative consequences for the ARTF as in accordance with World Bank policies no new grants can be processed if audits are outstanding, this. The ARTF Administrator is preparing a request for a waiver for the application of the

corresponding remedies because the cause of the delay is beyond the control of GoA. The Administrator will update the MC at the next MC meeting.

- ii. The Administrator informed the MC that all ARTF funding, approved virtually since the September 2014 meeting would be listed in the meeting minutes to ensure proper documentation of approvals. The following therefore lists funding transferred from the ARTF between September 24, 2014 and May 25, 2015, which has not already been reflected in MC meeting minutes, including both new financing and tranche releases for ongoing projects:
 - a. New funding:
 - i. October 2014: Recurrent Cost Window: US\$100 million;
 - ii. December 2014: Recurrent Cost Window: US\$200 million.
 - b. Tranche releases:
 - i. December 2014: National Solidarity Program III: US\$100 million;
 - ii. February 2015: Afghanistan Rural Roads Program: US\$100 million;
 - iii. April 2015: SEHAT: US\$100 million.