



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Management Committee Meeting

MONDAY SEPTEMBER 17, 2018

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- Mr. Mustafa Hamed, Aid Coordination Specialist

Asian Development Bank (ADB)

- Mr. Renadi Budiman
- Mr. Abdul Hares Halimi

WORLD BANK (ADMINISTRATOR)

- Mr. Shubham Chaudhuri, Country Director
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Wali Ahmadzai, Operations Officer
- Ms. Shughla Hellali, Operations Officer
- Mr. Matiullah Noori, Operations Officer
- Mr. Harsha Aturupane, Lead Education Specialist
- Mr. Abdul Hai Sofizada, Senior Education Specialist
- Mr. Janmejy Singh, Lead Social Development Specialist

1. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF AUGUST 22, 2018

The Administrator presented the financial status of the trust fund as of August 22, 2018. The statement (Annex 1) highlighted two main aspects: (i) Actual cash outflows and for the period May 22 – August 22, 2018 and, (ii) Cash projections covering August 23-October 22, 2018.

The Administrator noted that the ARTF began FY1397 (2018), the first year of the new 2018-2020 ARTF Partnership Framework and Financing Program (PFFP), with a negative net



balance of US\$302 million and a cash balance of US\$ 446.92 million. In the first five months of the PFFP, US\$119 million was paid-in to the ARTF parent account and two investment projects were approved by the ARTF Management Committee in March 2018. As of May 21, 2018, the ARTF had a negative net balance of US\$638 million and a cash balance of US\$ 493 million. The total actual contributions between May 22 – August 22, 2018 amounted to US\$ 165 million including the administration fee minus investment income. Total commitments worth US\$ 204 million (US\$212 minus US\$7.90) were made during these two months which led to a negative net balance of US\$677 million as of August 22, 2018. Similarly, US\$357.6 million (170+185.6+2) was transferred from the ARTF parent account to the projects child trust fund accounts during the period, which led to a cash balance of US\$ 300.85 million as of August 22, 2018.

The total actual and projected contributions between May 22 to October 22, 2018 amounts to US\$298.98 million and the total actual and projected commitments during the period amount to US\$430.90 million which leads to a projected negative net balance of US\$769.99 million as of October 22, 2018. The total actual and projected transfers to various child trust fund accounts amounts to US\$715.90 million which leads to a projected cash balance of US\$76.61 million by October 22, 2018.

Therefore, the Administrator stressed the need of timely contributions to the ARTF by the ARTF donors and further stated that the ARTF parent account will soon run out of cash to finance projects in the pipeline, if donors do not pay their contributions as pledged soon.

REQUEST FOR APPROVAL: WOMEN ECONOMIC EMPOWERMENT RURAL DEVELOPMENT PROJECT (US\$ 75 million)

The ARTF Administrator requested the Management Committee (MC) to approve US\$75 million for the Women Economic Empowerment Rural Development Project (WEE-RDP). This proposed ARTF grant will be co-financed with an IDA grant of US\$25 million equivalent which is scheduled to be presented to the World Bank Board of Executive Directors for approval on 28 September 2018. The proposed WEE-RDP is expected to be implemented over a five-year period from 28 September 2018 to 30 June 2023.

The Project Development Objective (PDO) of the WEE-RDP is to increase social and economic empowerment of poor rural women in selected communities.

The WEE-RDP has three core intervention tracks – one around social mobilization to develop community institutions and federating them to higher levels; the second dedicated to providing inclusive access to finance, and the third focusing more on enterprise development and value chain/market linkages. These would be supplemented with program support that would also link back to both the WEE National Priority Program (NPP) and the Citizens' Charter National Priority Program. This 'institutional approach' to empowerment of women has proven very successful in rural livelihoods projects in other South Asian countries, notably in India, since it harnesses the social capital of poor women and uses this to develop both financial and economic capital.



The WEE-RDP is one of the government's flagship programs under the overall umbrella of WEE-NPP. The project supports the national gender strategy by enabling women to participate in small-business, cultural and creative industry and in agricultural economy. Higher level institutions of rural poor women e.g. producer's associations etc. will be linked to private sector by fostering various public-private community partnership models to achieve a higher level of growth. The project would mobilize and organize women in target communities to reduce vulnerability and enable them to effectively participate in local democratic institutions like community development councils.

Discussion: The MC asked a question on the sequencing of approvals by the ARTF MC and the World Bank Board of Directors for ARTF and IDA co-financed projects. The Administrator clarified that the proposed sequence will be to have the ARTF MC approval first, as close to the approval time of the IDA Board as possible. And noted that the ARTF programs are working to support the government's national priority programs, and the WEE-RDP is closely aligned with the WEE-NPP.

Decision: The Management Committee approved US\$75 million financing for the WEE-RDP.

2. REQUEST FOR APPROVAL: EQRA Project (US\$ 100 million)

The ARTF Administrator requested the MC to approve US\$100 million for the EQRA Project. This proposed ARTF grant will be co-financed with an IDA grant of US\$100 million equivalent which will be presented to the World Bank Board of Executive Directors for approval on September 28, 2018, and a Global Partnership for Education (GPE) Grant of US\$98 million.

The proposed EQRA Project is expected to be implemented over a five-year period from 28 September 2018 to 31 December 2023. The GPE grant is expected to be presented for approval to the GPE Board in mid to end November 2018.

The EQRA Project Development Objective is to increase equitable access to primary and secondary education, particularly for girls, in selected lagging provinces, and to improve learning conditions in Afghanistan.

The EQRA Project has a hybrid financing modality consisting of traditional investment project financing and results-based financing where disbursements will be made against eligible expenditures upon achievement of pre-specified results as measured by Disbursement Linked Indicators (DLIs). The project has 4 main components focusing on: (i) financing for improvements in school infrastructure in rural areas, provision of school grants, supporting community based education; (ii) improving student learning conditions which will also include some pilot interventions in early childhood education; (iii) strengthening education sector planning capacity and transparency; and (iv) technical assistance.



Discussion: The EQRA team leader noted that the project has been under preparation for over a year, with a lengthy period of consultations on the design with development partners and education stakeholders including provincial education departments. The team leader also clarified that the project would be jointly implemented by the Ministry of Education and the Ministry of Rural Rehabilitation and Development.

Decision: The Management Committee approved US\$100 million financing for the EQRA Project.

3. REQUEST FOR APPROVAL: Additional Financing to the Higher Education Development Project (US\$ 5 million)

The ARTF Administrator requested the MC to approve US\$5 million additional financing to the ongoing Higher Education Development Project (HEDP).

The proposed additional financing will be used to expand the following successful project interventions in order to scale up Project impact and development effectiveness: (i) provision of scholarships for full-time faculty to pursue Master's degrees or above; (ii) training of teaching faculty in Outcome-Based Education (OBE) and Student-Centered Learning (SCL); (iii) support to public universities to prepare and implement Strategic Institutional Development Plans (SIDPs); and (iv) grants to support individual and group research projects at universities. In addition, the project is being restructured to: (i) make minor revisions to the results framework and to the disbursement linked indicators (DLIs) to adjust the targets and some indicator definitions in line with this AF; and (ii) extend the Project closing date by two years from December 31, 2020 to December 21, 2022 to allow sufficient time for completion of the additional activities.

The Administrator noted that this additional financing was being done at the request of the government, with the additional contribution provided by USAID. The HEDP team leaders noted that the additional grant would be used to scale up some of the ongoing project interventions mainly post-graduate scholarships for university scholarships, as well as outcome-based learning with e-learning for universities. The Administrator further noted that the full grant amount would be financed from the ARTF, and funds would be transferred soon after approval.

Discussion: The MC asked what is done if agreed DLIs are not achieved by the implementing agency. The Administrator clarified that efforts are made to avoid advancing grant funds for DLIs to avoid situations where DLIs are not met, but the government is unable to refund the advanced amount. This is being addressed by keeping a cap on the amount advanced, not having any amounts advanced in the final year of project implementation and using a combination of traditional input-based financing and results-based financing modality. Generally, once the DLIs have been met, the government is then reimbursed for expenditures they have made.

Decision: The Management Committee approved US\$5 million financing for the HEDP.



4. REQUEST FOR REPLENISHMENT: ADVISORY SERVICES IMPLEMENTATION SUPPORT AND TECHNICAL ASSISTANCE WINDOW (US\$4 million)

The ARTF Administrator requested the MC to approve a US\$ 4 million replenishment of the recently created Advisory Services Implementation Support and Technical Assistance (ASIST) Window. This is to finance three recently approved proposals to support the National Statistics and Information Authority, the Ministry of Mines and Petroleum, and the Ministry of Finance. The Administrator noted that in July 2018 the MC approved the initial allocation of US\$2 million to the ASIST Window to support specific long term technical assistance to the government. The window is Bank executed that will respond to demand driven activities from the Government in priority areas where intensive technical assistance is required from World Bank teams.

Decision: The MC approved the US\$4 million replenishment of the ASIST Window.

5. 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 July 9 ,2018 meeting.

a. APPROVED ON AUGUST 16, 2018: US\$1.5 million Placing Labour Abroad, Connecting to Employment Domestically and Addressing the Needs of Youth (PLACED+Y) Project Preparation Grant (PPG)

The PPG in the amount of US\$1.5 million, would be implemented, from September 1, 2018 through August 31, 2019. The PPG is intended to support the Ministry of Labour, Social Affairs, Martyred and Disabled in establishing the necessary institutional and project implementation arrangements for a proposed US\$ 50 million project to improve labour market outcomes by investing in Managed Labour Migration (MILM), domestic labour intermediation, and a subset of activities under the framework to address the needs of Afghan youth.

Specifically, the proposed PPG will support:

- a. Establishment of a labour contract management unit at MOLSAMD;
- b. Establishment of a streamlined and efficient 'exit procedure' for jobseekers leaving Afghanistan through managed labour migration; and
- c. Development of the necessary safeguards instruments and implementation manuals for the proposed future project.

This PPG is intended to replace the US\$ 5 million International Labour Migration and Domestic Labour Market Insertion PPG (ILM-DLMI PPG), which was approved by the Management Committee in January 2017, but which was not implemented owing to the time required to establish the international destination market access precondition (just completed in May 2018, when Afghanistan signed an MOU with the United Arab Emirates), and owing to complex social safeguards challenges. Solutions for the latter have now been identified but are not yet fully in place. Thus, **the request for virtual approval of PLACED+Y also encompassed the request to cancel ILM-DLMI PPG.**



PLACED+Y differs from ILM-DLMI in three key respects: (i) PLACED+Y includes no funding for third party providers to pilot international or domestic labour placements, whereas ILM-DLMI did include such funding; (ii) PLACED+Y includes funds to support GoIRA project preparation activities specifically aimed at addressing the needs of youth, a feature that ILM-DLMI did not include; and (iii) a significantly reduced financing amount of US\$1.5 million.

6. AOB.

The Administrator noted the next ARTF MC meeting would likely to be in October 2018 where the following are tentatively expected to be presented: (i) the Afghanistan: Eshteghal Zaiee – Karmondena (EZ-Kar) Project; and (ii) Cities Investment Project.

Annex 1: ARTF Cash Statement as of August 22, 2018

ARTF PARENT FUND NET POSITION AND CASH BALANCE STATEMENT

DATE: AUGUST 22, 2018



		NET position	CASH balance
		(USD MILLION)	
A. ACTUAL VALUES AT START OF PERIOD:		May 21, 2018	(638.07) 493.53
ACTUAL AND PROJECTED CONTRIBUTIONS, COMMITMENTS AND TRANSFERS: MAY 22, 2018 to OCTOBER 22, 2018			
B. CONTRIBUTIONS (= 1 + 2)		298.98	298.98
1. CONTRIBUTIONS to the CORE ARTF (= a + b)		256.38	256.38
a. ACTUAL PAID-IN contributions		165.12	165.12
Admin Fee minus Investment Income		0.67	0.67
EU: EUR 1,520,000	May 23, 2018	1.78	1.78
EU: EUR 380,000	May 23, 2018	0.45	0.45
EU: EUR 3,010,000	May 23, 2018	3.53	3.53
EU: EUR 1,110,000	May 23, 2018	1.30	1.30
AUSTRALIA: AUD 6,500,000	June 13, 2018	4.92	4.92
FINLAND: EUR 10,000,000	June 29, 2018	11.64	11.64
DENMARK: DKK 85,000,000	July 13, 2018	13.39	13.39
EU: EUR 30,000,000	July 17, 2018	34.90	34.90
EU: EUR 3,000,000	July 25, 2018	3.51	3.51
UK: GBP 48,000,000	August 21, 2018	61.05	61.05
UK: GBP 22,000,000	August 21, 2018	27.98	27.98
b. PROJECTED contributions		91.26	91.26
KOREA: USD 5,000,000	August 23, 2018	5.00	5.00
SWEDEN: SEK 475,000,000	September 4, 2018	52.06	52.06
DENMARK: DKK 73,010,000	September 15, 2018	11.30	11.30
NETHERLANDS: EUR 20,000,000	October 5, 2018	22.90	22.90
2. CONTRIBUTIONS to the AD-HOC PAYMENTS MECHANISM (= c + d)		42.60	42.60
c. ACTUAL PAID-IN contributions		0.00	0.00
d. PROJECTED contributions		42.60	42.60
EU: EUR 36,765,000	September 15, 2018	42.60	42.60
C. COMMITMENTS AND TRANSFERS (= 3 + 4 + 5 + 6)		430.90	715.90
3. COMMITMENTS and TRANSFERS to RECURRENT COST WINDOW (= e + f)		252.60	212.60
e. ACTUAL commitments and transfers to RECURRENT COST WINDOW		210.00	170.00
2017 Incentive Program benchmarks	May 23, 2018		170.00
2018 Incentive Program DPG: commitment	July 9, 2018	210.00	
f. PROJECTED commitments and transfers to RECURRENT COST WINDOW		42.60	42.60
Transfer of AHP Payment from the EU	September 20, 2018	42.60	42.60
4. COMMITMENTS and TRANSFERS to INVESTMENT WINDOW (= g + h)		172.10	497.10
g. ACTUAL commitments and transfers to project-specific child-RETFs under INVESTMENT WINDOW		(7.90)	185.60
SEHAT-mandi: first tranche of \$425m approved in March 2018	June 5, 2018		130.00
System Enhancement for Health in Transition (SEHAT)	June 29, 2018		60.00
Education Quality Reform in Afghanistan (EQRA): (PPG): commitment	July 9, 2018	3.43	
Education Quality Reform in Afghanistan (EQRA): PPG: transfer	August 13, 2018		3.43



Placing Labor Abroad Connecting to Employment Domestically (PLACED): PPG	August 16, 2018	1.50	
PLACED: PPG-adjustment entry ²		(5.00)	
Public Financial Management Reform II: refund of undisbursed balance	August 8, 2018	(7.06)	(7.06)
Second Judicial Reform Project: refund of undisbursed balance	August 13, 2018	(0.77)	(0.77)
h. PROJECTED commitments and transfers to project-specific child-RETFs under INVESTMENT WINDOW			
Placing Labor Abroad Connecting to Employment Domestically (PLACED): PPG	September 15, 2018		1.50
PPP & Public Investment Advisory Project (PPIAP): transfer	August 27, 2018		30.00
Citizens' Charter Program: second tranche:	August 27, 2018		100.00
Education Quality Reform in Afghanistan (EQRA): commitment	September 17, 2018	100.00	
Education Quality Reform in Afghanistan (EQRA): transfer	October 2, 2018		100.00
Women's Economic Empowerment Rural Development Program (WEE-RDP)	September 17, 2018	75.00	75.00
Higher Education Development Project (HEDP) - AF	September 17, 2018	5.00	5.00
5. TRANSFERS to ADVISORY SERVICES, IMPLEMENTATION SUPPORT AND TA (ASIST) WINDOW (= i + j)		6.20	6.20
i. ACTUAL transfers to ASIST WINDOW		2.20	2.20
2018: first tranche	July 9, 2018	2.00	2.00
Adjustment Entry: Reflow and allocations under RAP during the period		0.20	0.20
j. PROJECTED transfers to ASIST WINDOW		4.00	4.00
2018: second tranche	September 17, 2018	4.00	4.00
6. TRANSFERS to ANTI-CORRUPTION and RESULTS MONITORING ACTION PROGRAM (ACReMAP) (= k + l)		0.00	0.00
k. ACTUAL transfers to ACReMAP WINDOW		0.00	0.00
l. PROJECTED transfers to ACReMAP WINDOW		0.00	0.00
D. ACTUAL VALUES AS OF REPORT DATE (= A + a + c - e - g - i - k):		August 22, 2018	(677.25) 300.85
E. PROJECTED VALUES AT END OF PERIOD (= A + B - C):		October 22, 2018	(769.99) 76.61

NOTES:

¹CTF stands for "child trust fund" - there is a designated CTF for each project funded by ARTF

²International Labor Migration PPG was approved during 2015-2017 FS and was part of the total commitments carried over to 2018-2020 PPF.

The task team has decided to reduce it to USD 1.5m. An adjustment entry of USD 5m has been created to the net balance.

RETF stands for Recipient Executed Trust Fund

BETF stands for Bank Executed Trust Fund