

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE MEETING, KABUL

WEDNESDAY SEPTEMBER 21, 2016, 10 AM

MINUTES OF MEETING

MC MEMBERS

MINISTRY OF FINANCE

- Mustafa Aria, Director, Aid Management Directorate
- Mr. Moheb Jabarkhail, Coordinator, Aid Management Directorate

ASIAN DEVELOPMENT BANK

- Mr. Thomas Panella

UNAMA

- Ms. Katherine Blanchette

UNDP

- Mr. Douglas Keh

WORLD BANK (ADMINISTRATOR)

- Mr. Robert Saum, Country Director
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Suhail J'mean, Program Leader
- Ms. Susan Wong, Lead Social Development Specialist
- Ms. Najla Sabri, Social Development Specialist
- Mr. Hyoung Gun Wang Sr. Economist
- Mr. Wali Ibrahimi, Operations Officer
- Ms. Azada Hussaini, Operations Officer
- 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 June 29, 2016.

2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF SEPTEMBER 20, 2016

The Administrator presented the financial status of the trust fund as of September 20, 2016. The Administrator noted that the total pledges for FY1395 stands at US\$1.08 billion, of which US\$629.51 million 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). In addition, it also includes an additional \$15 million from USAID for the Higher Education

Project. The total disbursements as of September 20, 2016 is US\$595.60 million. The Administrator also noted that the current unallocated cash balance stood at US\$295 million as of September 20, 2016. A total of US\$ 35.50 million is expected to be received from Sweden, and Italy within the next month. With today's MC approvals, a total of US\$187.85 million is expected to be allocated to several investment projects during the next month. The Administrator highlighted the fact that after this the total unallocated cash balance would be down to US\$142.67 million, which underscores the importance of ARTF donors paying in their contributions well before the end of the year. It was also noted that the committed cash balance of \$1.2 billion represents undisbursed funds across the 21 active ARTF investment projects, the RCW, the Research and Analysis Program, and the monitoring and supervisory agents.

The MC requested clarifications on the current cash balance and the implications for approval of pipeline projects in the next three months. The MC also asked whether the Administrator had any projections for donor contributions after the Brussels Conference. The Administrator informed the MC that approval of the remaining pipeline for 1395 would be contingent on receipt of pending donor pledges. Several donors are expected to pay in funds in the next two months. The Administrator also briefed the MC that discussions with the Strategy Group as well as the Steering Committee would be scheduled after the Brussels Conference to discuss any implications for the ARTF, and the status of funds and programming.

3. REQUEST FOR APPROVAL: Citizens Charter Afghanistan Project (CCAP) (US\$400 million)

The ARTF Administrator requested the Management Committee to approve US\$400 million for the CCAP. The estimated total CCAP financing is US\$628 over a period of four years, consisting of US\$128 million Government co-financing, a US\$100 million IDA grant, and a US\$400 million ARTF grant. The ARTF funding is expected to be provided in tranches over the next 4 years, with an initial amount of US\$100 million allocated in FY1395. The objective of the CCAP is to improve the delivery of core infrastructure and social services to participating communities through strengthened Community Development Councils (CDCs). These services are part of a minimum service standards package that the Government is committed to delivering to the citizens of Afghanistan. The CCAP aims to contribute to the Government's long-term goals of reducing poverty and deepening the relationship between citizens and the state. Through provision of development services, and grants through CDCs, the government will be increasing trust that a distant government can nevertheless provide valued local benefits. This first phase of the CCAP is expected to reach an estimated 8.5 million direct and indirect beneficiaries in select rural and urban areas across the country, with women comprising half of the target beneficiaries.

The MC raised questions on the plans for future government funding of the Citizens Charter (CC) Program and sustainability of the program. The team clarified that the CCAP would be a four-year project supporting part of the government's ten-year CC national priority program (NPP), and that gradual steps are being taken to ensure project activities are more cost-effective and sustainable over time. For instance, the CCAP would only focus on critical needs of communities, and would provide smaller grants as opposed to the National Solidarity Program (NSP). Additionally, the government would also be providing funds towards the service delivery grants in the communities, and both rural and urban communities would also contribute to

the program. The MC also requested clarification on the measures in place to ensure capacity building and inter-ministerial collaboration at both central and provincial levels. Other questions were on the project management costs of the CCAP in comparison to the NSP, and whether the two projects would be implemented in parallel. The team explained that there is an inter-ministerial governance structure led by the Ministry of Finance and the Office of the President that has helped to ensure close coordination between the implementing line ministries (MRRD, and IDLG) and other ministries during the design phase, and will continue to do so during implementation. The team also informed the MC that the project management costs for the CCAP are approximately 12%, compared to 10% for the NSP III. Also that NSP III is no longer providing block grants to communities, but instead focusing only on provision of maintenance cash grants as NSP III implementation is expected to close in March 2017.

The ARTF Administrator asked the Management Committee to approve the financing to the CCAP.

Decision: The Management Committee approved US\$400 million financing for the Citizens Charter Afghanistan Project, with an initial tranche of US\$100 million.

4. REQUEST FOR APPROVAL: Urban Development Support Program Preparation Grant (US\$2.9 million)

The Administrator requests the approval of the MC for a US\$2.9 million grant to support the preparation of the Urban Development Support Program (UDSP). The proposed UDSP is expected to finance technical assistance, capacity building and systems development at the Ministry of Urban Development and Housing (MUDH) and in 6 participating municipalities. The program will promote effective transversal urban management in the context of rapid urbanization and increased urban poverty and will finance spatial planning and feasibility studies at the city level to facilitate catalytic investments. These will be aimed at promoting local economic development and improved municipal service delivery. The proposed UDSP project preparation grant (PPG) will assist MUDH in mobilizing a core coordinating team to plan and manage the project, help prepare draft terms of reference for assignments, initiate data collection that will contribute to project design, and facilitate project preparation necessary to move swiftly into the implementation phase.

The MC requested the team to clarify whether the UDSP would continue to collaborate with UN Habitat, and whether the technical assistance under the PPG would also support activities related to revenue generation and budgeting at MUDH. The team confirmed that the program would continue to work closely with UN Habitat on information gathering and other data, and that while the PPG would provide some technical assistance on the budgeting etc., additional support would be provided through other urban projects.

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

Decision: The Management Committee approved US\$2.9 million financing for the preparation of the Urban Development Support Program.

5. Briefing: Additional Financing to the Afghanistan Rural Enterprise Development Program (AREDP)

The Administrator briefed the MC on the status of preparations for the AREDP additional financing (AF), in the amount of US\$4.7 million which was requested by the government in early 2016. The proposed AF would cover a financing gap to enable completion of activities initiated under the original AREDP which started implementation in 2010. The Project supports small and medium enterprises including for women and the disabled. Alongside the AF, the Project closing date would be extended by 6 months from December until June 30, 2017. The AF negotiations are scheduled for September 27, 2016, and the Administrator proposed to present the Project for the MC's virtual approval shortly thereafter.

6. AOB

(i) Tentative Date for Next MC Meeting

The Administrator informed the MC that the next meeting would be a virtual meeting tentatively planned for early October, 2016 to review the request for additional financing to the Afghanistan Rural Enterprise Development Project (AREDP). The next MC meeting thereafter would be planned for end October/early November for the Additional Financing to the Afghanistan Rural Access Project, and a project preparation grant on Labour Mobility.

(ii) ARTF Research and Analysis Program (RAP)

The MC requested the Administrator to provide an update on the progress of activities under the ARTF RAP.