

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE (MC) MEETING

MONDAY, JUNE 17, 2013 –3:30 PM KABUL

MINUTES OF MEETING

MC MEMBERS

ASIAN DEVELOPMENT BANK

- Mr. M. Thiruchelvam

UNDP

- Mr. Renaud's Meyer

UNAMA

- Mr. Rezaul Hassani

WORLD BANK (ADMINISTRATOR)

- Mr. Robert Saum, Country Director
- Ms. Ditte Fallesen, Operations Officer
- Mr. Richard Spencer, Country Sector Coordinator
- Ms. Najla Sabri, Operations Analyst, SASDA
- Mr. Harsha Atarupane, Lead Education Specialist
- Mr. Abdul Hai Sofizada, Senior Education Specialist
- Mr. Haroon Chakhansuri, Consultant
- Ms. Dolly Aziz, Operations Officer
- Mr. Hans Jansen, Sr. Agriculture Economist
- Mr. Ghulam Sayed, Sr. Health Specialist
- Dr. Tawab Hashemi, Health Specialist
- Ms. Azada Hussaini, Operations Officer

1. APPROVAL OF MINUTES

The MC approved the minutes of the MC meeting held on May 7, 2013.

2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF JUNE 16, 2013

The Administrator presented the financial status of the trust fund, outlining the available cash balance. The unallocated cash balance was highlighted as it was at a historic low. The Administrator explained that new resources are expected to come in from donor contributions over the coming couple of months.

3. APPROVAL: SYSTEM ENHANCEMENT FOR HEALTH ACTION IN TRANSITION (SEHAT) (US\$270 Million)

SEHAT is a second and scaled-up phase of the ARTF and IDA-financed Strengthening Health Activities for Rural Poor (SHARP). SEHAT will expand the scope, quality and coverage of health services provided to the Afghan population in the project provinces, and build and strengthen systems in the Ministry of Public Health. The program, which has a total value of US\$407 million, will be jointly supported by a US\$30 million contribution from Government, an IDA grant of US\$100 million, US\$7 million by HRITF, and finally US\$270 million from the ARTF. The coverage has expanded from 11 provinces under SHARP to 22 provinces under SEHAT as the EU has chosen to channel its financing for health through the ARTF. Continuing the arrangement from SHARP, a third party monitoring arrangement will provide the M&E framework for the program to assess health outcomes and results across the country.

The Management Committee approved the grant of US\$270 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. APPROVAL: AFGHANISTAN AGRICULTURE INPUTS PROJECT (AAIP) (US\$74.75 million)

Building on an earlier preparation grant, the Afghanistan Agricultural Inputs Project (AAIP) will work toward strengthened institutional capacity for safety and reliability of agricultural inputs and sustainable production of certified wheat seed. The development objective would be achieved through: (i) strengthening capacity in the value chain for producing certified wheat seed; (ii) preventing marketing of banned, hazardous, sub-standard, and unreliable pesticides and fertilizers; (iii) lowering the risk of introduction and spread of plant quarantine pests into the country; and (iv) improving farmers' access to agricultural inputs of reliable quality.

The project will build the institutional capacity in the Ministry of Agriculture, Livestock and Irrigation required for carrying out their public mandate in the agricultural inputs sector. The team explained that the project design was based on thorough consultations and with input from the Food and Agriculture Organization (FAO) to ensure coordination in this important area.

The Management Committee approved the grant of US\$74.75 million.

5. APPROVAL: HIGHER EDUCATION SYSTEM IMPROVEMENT PROJECT – PREPARATION GRANT (US\$4.9 million)

The preparation grant will support the preparation of a new higher education program based on the findings of the Higher Education Sector Report prepared by the World Bank (May 2013) and implementation experience of the Strengthening Higher Education Project (SHEP) that closes on June 30, 2013. Key priority areas in this project include expanding access to higher education mainly for young women, improving governance framework i.e. autonomy of high education institutions both in academic autonomy and procedural autonomy, as well as strengthening quality of education in terms of academic staff competency and equipments.

The Ministry of Higher Education is in the process of updating its National Higher Education Strategic Plan (2010-2014) and preparing a development program to cover the period 2015-2019. The proposed Higher Education Systems Improvement Project (HESIP) will support this updated higher education strategic plan and the development program for 2015-2019.

In place of a traditional investment project financing, involving a set of specific expenditure transactions, the Task Team and the MoHE are discussing the possibility of using an investment lending instrument with program-based features to support the higher education sector. The idea is for the project to disburse against eligible expenditure programs based on the achievement of predetermined, measurable targets or disbursement-linked indicators. This approach would allow the Bank to support a part of the Government's higher education program and priorities, help maintain a strong focus on the achievement of key results, and provide enhanced focus on strengthening associated systems in the MoHE and universities.

The preparation grant will support the preparation of the new program, which is expected to be ready for approval by the MC by Summer 2014 for a full value around US\$50 million.

The Management Committee approved the preparation grant of US\$4.9 million.

6. UPDATE FROM THE ARTF SUPERVISORY AGENT

At the MC meeting in May 2013, the ARTF Supervisory Agent gave a presentation on key findings and results of the program. The MC asked the Supervisory Agent to provide a bit more detail on the results of the program. The presentation has been revised to address these comments. It was noted that there will be regular updates by the SA in the future as well.

7. AOB

Procedures for restructuring of ongoing projects: The Administrator explained the procedures for restructurings of ARTF projects. The term “*restructuring*” covers for example changes in safeguard categorization, project development objectives, results indicators, extension of closing dates or cancellation of funds.

The general rule under ARTF is that all projects are processed under World Bank rules and guidelines. The only difference in the processing of ARTF and IDA projects is the approval - IDA projects are approved by the World Bank Board of Executive Directors, while for ARTF projects the MC is the approving mechanism. The MC therefore also takes the place of the Bank Board in the processing of project restructurings. This includes two types of restructurings:

Level One restructuring applies to modifications in the Project Development Objectives (PDOs) or changes in the safeguard category, or trigger of a new safeguard policy. Going forward Level One restructurings will be submitted to the MC by virtual circulation for approval in the absence of objection.

Level Two restructuring applies to all other project modifications. These include changes such as: changes in outcome indicators or targets; modifications in project scope or design; addition or cancellation of project components; and extension of the closing date. Level Two changes are approved by the World Bank Country Director while the MC is kept informed.

Afghanistan Power System Development Project: A level one restructuring paper will soon be shared with the MC for their approval in the absence of objection. The Administrator explained that the restructuring would include a change in the Project Development Objective and supporting indicators.

Ministry of Finance: Ministry of Finance was not present for this MC meeting. The meeting minutes will, therefore, be shared with them for comments and potential objections.

8. UPCOMING MEETINGS

MC Meeting: August 20, 2013.