

**AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)**

**MANAGEMENT COMMITTEE MEETING, KABUL**

**SUNDAY MAY 15, 2016,**

**MINUTES OF MEETING**

**MC MEMBERS**

**MINISTRY OF FINANCE**

- Moheb Jabarkhail, Coordinator, Aid Management, MoF

**ASIAN DEVELOPMENT BANK**

- Mr. Tom Panella

**UNAMA**

- Ms. Danae Bougas

**Islamic Development Bank**

- Mr. Ata Ur Rahman Durrani

**WORLD BANK (ADMINISTRATOR)**

- Mr. Stephen Ndegwa, Acting Country Director
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Wali Ahmadzai, Operations Officer
- Mr. Yousif Elfadil, Sr. Public Sector Specialist
- Mr. Toru Konishi, Sr. Economist
- Mr. Mir Ahmad, Water Resources Specialist
- Mr. Mohammad Yasin Noori, Sr. Social Development Specialist

**1. APPROVAL OF MEETING MINUTES**

The Management Committee (MC) approved the meeting minutes from the last meeting held on February 10, 2016.

**2. ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF MAY 13, 2016**

The Administrator presented the financial status of the trust fund as of May 13, 2016. The administrator noted that the total pledges for FY1395 stands at US\$959.88 million, of which US\$500.90 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 UK and US\$35 million from USAID and US\$80.6 million from USAID for AHP. The total disbursements as of May 13, 2016 has been US\$388.37 million. The administrator also noted that the current unallocated cash balance stood at US\$505.74 million as of May 13, 2016. With today's MC approval, a total of US\$284.95 million would be allocated to the ARTF Recurrent Cost Window (RCW) and two investment projects during the next month leaving a total unallocated cash balance of US\$220.79 million.

**3. APPROVAL: Additional Financing to the Irrigation Restoration and Development Project (IRDP)- US\$70 million**

The original IRDP was financed with an IDA grant of US\$97.8 million and an ARTF grant of US\$48.4 million, and aims to increase agricultural productivity in project areas. The Project is now being restructured to include new activities; change the project development objective (PDO); and extend the closing date from December 31, 2017 to December 31, 2020. The Project will also be presented to the Board of Executive Directors of the World Bank on May 25<sup>th</sup>, 2016 for approval of the PDO change. Progress towards achievement of the PDO and implementation progress are both rated as Moderately Satisfactory, with overall disbursement at 60 percent. To date a total of 118 irrigation schemes (about 120,000 hectares of irrigation command area) have been rehabilitated, benefiting more than 200,000 households.

The MoF commented on the significance of the Project in relation to the government's overall vision on irrigation for the country. The MC asked why the dam component was being dropped from the project. The team responded that further support for these activities from IDA funds or the ADB would be sought.

The ARTF Administrator asked the Management Committee to approve the US\$70 million additional financing.

**Decision: The Management Committee approved US\$70 million additional financing for the Irrigation Restoration and Development Project.**

#### **4. APPROVAL: Support to the Afghanistan Independent Land Authority Project Preparation Grant (US\$4.95 million)**

The proposed grant "Support to the Afghanistan Independent Land Authority" is included in the current ARTF Financing Strategy, and will help to prepare a Land Management investment project over the coming 18 months. Specifically the grant aims to support the Afghan Government to develop the policy and regulatory framework and build capacity to deliver transparent, pro-poor land services, through (a) raising public awareness, knowledge and understanding about laws and regulations governing the land sector; (b) developing processes and service standards for Arazi's core functions, and supporting development of the Land National Priority Program (NPP).

The MC asked the team to clarify how the proposed grant activities will complement other activities being implemented by UN Habitat, USAID, and other agencies. The MC also sought clarity on the implementation period of the preparation grant and the future investment operation. The team confirmed that they would be meeting with the different stakeholders working on land management in the coming months, and that the preparation grant was expected to be implemented until 2018, while the main project would start implementation in mid-2018. This was because certain ground work- namely- development of the Land NPP, and development and adoption of two crucial land laws- had to be done before the main investment operation could begin. The MoF urged the team to hasten the preparation grant activities if possible in order to begin the main project sooner than mid-2018.

The ARTF Administrator asked the Management Committee to approve the US\$4.95 million financing.

**Decision: The Management Committee approved the US\$4.95 million project preparation grant.**

#### **5. APPROVAL: Restructuring of the Capacity Building for Results (CBR) Project**

The ARTF Administrator requests the MC approval of the restructuring of the CBR Project. The Project is being restructured to address bottlenecks that have affected project performance. The specific changes are: (a) Change in the Project Development Objective and revision of the Results Monitoring Framework to reflect the new scope of the project; (b) Change in implementation arrangement to introduce more flexibility and simplify the process for accessing project resources; (c) Change to the financing plan by reallocating resources across project components and cancelling part of the original amount approved for the project (\$200million); and (d) Change in project design by dropping Component 3: Civil Service Training, and streamlining the scope of activities supported under other components to reflect the proposed financing envelope. The current project closing date is December, 2017. The team would review the implementation progress in mid-2017 and consider a possible closing date extension if needed.

The MC asked what could be done to incentivize the use of the CBR in all Bank financed projects. The team responded that currently all Bank financed projects are following the CBR scale for staff and consultants, and that the new scale is a disincentive to hiring of consultants in line ministries since all the salaries are now standardized.

The ARTF Administrator asked the Management Committee to approve the restructuring of the CBR.

**Decision: The Management Committee approved the CBR restructuring.**

#### **6. APPROVAL: RECURRENT COST WINDOW TRANSFER OF US\$210 MILLION**

The Administrator proposed that a transfer of US\$210 million be approved for the Recurrent Cost Window Trust Fund (RCW TF) to cover: (i) payments under the Incentive Program (IP) for FY1395; (ii) the baseline financing of the next quarter of FY1395; and (iii) potential Ad Hoc Payments (AHP) under the Recurrent Cost Window during the next quarter; and (iv) to replenish the \$100 million buffer for the RCW TF.

This is in line with the overall RCW baseline financing amounts and placeholder amounts for the AHP contributions as outlined in the current ARTF Financing Strategy. The Administrator explained that a technical review process of the benchmarks under the IP had been completed in April, 2016 following which the decision to transfer \$160.7 million to the government was approved. This decision was based on the following: a) 83.2 US\$ million for surpassing the 1394 revenue target. b) 59.7 US\$ million under the operations and maintenance facility and, c) 17.8 US\$ million for achieving the benchmarks for external audit (#10).

**Decision: the transfer of US\$210 million to the RCW TF was approved.**

#### **7. AOB**

**(i) Tentative Date for Next MC Meeting**

The Administrator informed the MC that the next meeting would tentatively be held at the end of June, 2016 to discuss the proposed additional financing (US\$90 million) to the National Horticulture and Livestock Project (NHLP), and restructuring of the Second Judicial Reform Project.