



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Management Committee Meeting
SUNDAY, FEBRUARY 16, 2020
MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- [REDACTED], Senior Aid Coordination Specialist

Asian Development Bank (ADB)

- [REDACTED], Country Director

Islamic Development Bank (ISDB)

- *Not present*

UNDP

- [REDACTED], Country Director

OFFICIAL OBSERVER - UNAMA

- [REDACTED], WHO Country Representative (*on behalf of UNAMA DSRSG Lanzer*)
- [REDACTED], Donor Coordination

ARTF SG OBSERVERS

- [REDACTED], European Union
- [REDACTED], Swiss Cooperation
- [REDACTED], United Kingdom, DFID
- [REDACTED], United States, USAID

WORLD BANK (ADMINISTRATOR)

- Henry Kerali, Country Director
- Keiko Nagai, ARTF Program Manager
- Katie Blanchette, ARTF Operations
- [REDACTED], ARTF Operations
- [REDACTED], Senior Health Specialist
- [REDACTED], Health Specialist
- [REDACTED], Senior Financial Management Specialist
- [REDACTED], Senior Water Resources Management Specialist

1. Administrator's Report on Financial Status of the ARTF

The Administrator presented the financial status of the trust fund as of February 15, 2020. The Administrator noted that to ensure ARTF finances are managed well and ARTF Steering Committee commitments to pipeline projects can be fully financed as approved, the financial report includes both current cash position and commitments, as well as projections for the next year.

The Administrator distributed a financial statement presenting (i) actual sources and uses of funds from the first two years of the Partnership Framework and Financing Program (PFFP) period, CY2018 and 2019 (FY1397 & 1398) and the period through February 15, 2020 (covering the first seven weeks of CY2020/FY1399), as well as (ii) projected sources and uses of funds for the remainder of CY 2020 (FY1399), the last year of the current PFFP.

Actuals: Between December 22, 2017 and February 15, 2020, donors contributed US\$ 1,728.16 million to the core ARTF (excluding contributions made through the Ad Hoc Payments Facility in connection with bilaterally negotiated incentive initiatives) against pledges of US\$ 2,505.56

million. During this period, the Administrator allocated a total of US\$ 1,663.09 million to ARTF sub-windows and activities.

Projections: During the remainder of CY 2020/FY1399 (the end of the current PFFP period) the Administrator projects donors will contribute US\$ 777.40 million to the core ARTF program. During this same period, the Administrator expects to make allocations to ARTF sub-windows and activities totalling US\$ 1,311.22 million. The projected allocations include all pipeline requests that the Administrator currently expects to present to the Management Committee (MC), both in the current meeting and during the remainder of the PFFP period, comprising both pipeline projects currently under design and pending tranches for previously approved projects.

The 2020 projected Uses of Funds already incorporate projected transfers for the two proposals presented in the current ARTF MC agenda: 1) the transfer of US\$ 160 million to the ARTF Investment Window (second tranche of Sehatmandi financing), and 2) the transfer of US\$ 23.356 million to the ARTF ACRemap Window (to finance the new third-party monitoring contract¹). Assuming that all donor contributions are paid-in as pledged, the Administrator currently projects an unallocated cash balance of US\$ 297.75 million in the ARTF parent account at the end of 2020.

The Administrator certified that the ARTF has sufficient financial resources to finance the requests presented to the Management Committee in this meeting and thanked the ARTF donors for their continued support to their ARTF and their contributions received in the first two years as pledged.

2. REQUEST FOR APPROVAL: Release of Sehatmandi second tranche (US\$160 million)

The MC approved the overall ARTF contribution to the Afghanistan Sehatmandi project, totaling US\$ 425 million, on March 12, 2018. The ARTF contribution is designed to be released in three tranches over the course of three years. In its initial approval, the MC determined that release of each tranche should require a separate MC approval so as to ensure the fulfillment of performance benchmarks associated with each tranche of financing.

The three tranches are divided as follows: (i) US\$ 130 million on MC approval of the project in 2018 (already released); (ii) US\$160 million in 2019 on completion of the tranche release conditions for 2019-20 (presented for MC approval at this meeting); and (iii) US\$135 million in 2020 on completion of the tranche release conditions for 2020-21 (expected future request).

The Administrator has assessed that the Ministry of Public Health has achieved the conditions for release of the second Sehatmandi tranche, as outlined in the letter request that accompanied the meeting invitation. There were five conditions: (1) development of standard operating procedures (SOPs) for the management of performance-based contracts for delivering BPHS/EPHS; (2) semi-annual performance reviews of at least 60 percent of BPHS/EPHS service providers carried out in accordance with the SOPs; (3) timely and complete payments to at least sixty percent of service providers; (4) dissemination of key program data and financial data on the website of the MOPH; and (5) the High-Level Health Sector Oversight Committee meeting to assess the MOPH's performance in managing the BPHS/EPHS contracts.

¹ The Administrator noted that the total transfers projected for third-party monitoring agent expenses in 2020 is shown as US\$ 27 million. The difference between this total and the amount requested to finance the new contract is the value of transfers previously approved but not yet made to finance deliverables pending payment under the previous third-party monitoring contracts.

In response to a question from a donor observer, the Administrator affirmed that donors, as well as Management Committee members, have received documentation supporting the Administrator's assessment that the five performance benchmarks were satisfied. In response to comments from ARTF Management Committee members, the Administrator outlined features of the performance-based contracting modality, which requires service providers to document achievements for subsequent verification by a third-party monitoring agent contracted to the Ministry of Public Health. The agent submits findings to the Ministry and discusses them with Ministry and development partner stakeholders. There were some delays in contracting the agent, and so the initial report, originally expected at the end of February 2020, is expected to be somewhat delayed. Additional layers of health outcome verification are provided through the Afghanistan Health Survey and the USAID-financed Demographic Health Survey (DHS). The WHO Country Representative, observing on behalf of the UNAMA DSRSG, stressed support for the program design, noting that the focus on packages of basic and essential health services has been successful. While there is always room for improvement, the program has delivered substantial benefits for relatively little money. Afghanistan health outcomes are better than in some other low-income countries, including countries that are stable/not in conflict. A chief concern is the sufficiency of funding going forward.

Before asking the MC to authorize release of the funds, the Administrator explained that Sehatmandi delivers services throughout the country, including in areas contested or controlled by anti-government elements (AGE). In these areas, AGE personnel interact with program service providers. Some requests made to service providers are legitimate. Requests for services or actions not authorized under the Sehatmandi contracts has at times led to temporary closure of health facilities while service providers, community leaders and other stakeholders discuss appropriate responses to demands. In response to recent reports of increased contacts by AGE with service providers, MOPH is currently preparing an analysis of the type/nature of increased demands and developing guidance to service providers, with support from the World Bank. The Administrator noted that the development community, unlike the humanitarian sector, does not have direct dialogue with the Taliban and may need to consider whether a similar/parallel arrangement can be made. The MC noted the importance of continuing health services and endorsed the Administrator's approach, in partnership with MOPH, to addressing the complex challenge of AGE demands.

Decision: The MC approved the release of the second tranche of Sehatmandi financing, totalling US\$160 million.

3. REQUEST FOR APPROVAL: Allocation of Funds to the ARTF Anti-Corruption and Results Monitoring Action Program Window (US\$23.356 million)

The Administrator requested MC approval to transfer US\$23.356 million to the ARTF Anti-Corruption and Results Monitoring Action Program (ACReMAP) World Bank-executed window to finance the next phase of Afghanistan third-party monitoring, as agreed in the MC meeting held June 17, 2019. The ARTF Partnership Framework and Financing Program (PFFP) established the Anti-Corruption and Results Monitoring Action Program (ACReMAP). The largest component of ACReMAP financing was reserved for continuing, refreshing, and expanding the ARTF third-party monitoring program.²

² The Administrator noted that the ARTF third-party monitoring program is a World Bank-executed activity that covers the program portfolio as a whole. It is distinct from Ministry-contracted third-party monitors or third-party verification agents that are retained to observe/document elements of individual programs.

In line with the ACRMAP commitment, the World Bank has consolidated its two previous contracts for third-party monitoring services under a single, two-year contract that became effective January 1, 2020. The new consolidated contract was awarded following a competitive procurement, which the Administrator had documented in the package of supporting materials that accompanied the MC meeting invitation (and was shared with ARTF donors). The process began with a Request for Expressions of Interest in May 2019, submission of proposals by shortlisted bidders in September 2019, proposal assessment and scoring that same month, and final corporate approval, contract signature, and handover in December 2019. The contract period is for two years, and the request to the MC is for financing to cover the value of the base contract years. The contract includes an optional two-year renewal period. If this option is exercised, the Administrator will submit a separate request for financing to the MC.

Decision: The MC approved the US\$23.356 million transfer to the ARTF ACRMAP Window.

4. PREVIEW OF FORTHCOMING REQUEST FOR VIRTUAL APPROVAL: Project Preparation Grant for Afghanistan Agro-Water Climate Resilience Project (US\$ 1 million)

The Administrator informed the MC that it will shortly request virtual approval of a US\$ 1 million project preparation grant (PPG). The proposal has been prepared and awaits preparation of necessary safeguards documentation by the Government; once these are ready the request will be submitted to the MC. The PPG will support design and preparation of the pipeline Afghanistan Agro-Water Climate Resilience Project (AWCRP) project together with required technical and operations manuals and safeguards instruments. The ARTF Steering Committee endorsed AWCRP as a pipeline ARTF initiative in the June 2018 PFFP.

AWCRP will aim to consolidate follow-on work of the (closed) On-Farm Water Management Project and the Irrigation Restoration and Development Project, currently scheduled to close later in 2020. Design is expected to support Government priorities by strengthening resilience of agricultural systems to risks related to climate (mainly drought), pest and diseases. The pipeline project is expected to finance hard and soft infrastructure for improved water management, introduce climate-smart agriculture and water application practices/technologies and foster crop diversification and marketing for enhanced climate resilience. AWCRP is expected to be co-financed by an IDA grant of US\$ 20 million and an ARTF grant of US\$ 80 million.

The US\$ 1 million PPG, for which virtual approval will be sought, will finance a small technical team for project preparation, procurement of specialized consultant services, and incremental operating costs. The team will develop technical and operations manuals and safeguards instruments required for the Project, and conduct field surveys and studies required for design. The Ministry of Agriculture, Irrigation and Livestock (MAIL) will be responsible for the overall implementation and coordination of the PPG activities, including drafting the work programs and budgets, procurement, financial management, and monitoring and evaluation of the progress. During preparation, MAIL will work closely with other ministries and government agencies that will have roles in designing and implementing the proposed project.

UNDP and ADB noted that the pipeline project appears timely and relevant given significant needs in the sector. As both agencies also plan work in the same sector they noted the need for strong coordination in the design phase. The World Bank team fully concurred on the importance of coordination during design, the importance of knowledge exchange, and the need for operational coordination during implementation. The team noted that ongoing technical coordination among agency teams and with specialized NGOs has thus far been strong. An informal preparation

mission is planned in March and the World Bank team will aim to engage with UNDP and ADB during that mission. MAIL should play a central role in ensuring donors are meeting frequently and ensuring that geographic site selection is non-duplicative. MAIL's Deputy Minister for irrigation monitors issues closely, and the ministry has a fairly strong management information system that identifies and monitors irrigation schemes, though watershed management data may require more development. Projects are physically co-located within the ministry, which is also helpful. Mapping of project locations is likely to require more coordination; at present site location data is not detailed. The MC noted that it may be useful for development partners to divide responsibility for providing secretariat services in support of coordination in sectors with a number of active partners.

Decision: The MC will conduct a virtual review of the US\$ 1 million project preparation grant proposal when documentation is read.

5. VIRTUAL APPROVAL: Allocation of US\$ 33 million to the Recurrent and Capital Costs Child Trust Fund

The minutes document the MC's December 13, 2019 approval of a request to allocate US\$ 33 million to the ARTF Recurrent and Capital Costs (RCC) Child Trust Fund, which was completed via a virtual (email) meeting. The Recurrent and Capital Costs investment project was, until 2018, the primary vehicle for providing baseline funding to the Government through the ARTF Recurrent Costs Window. It also supported the Ad Hoc Payments Facility. In 2018, baseline financing was discontinued and all payments through the Recurrent Costs Window became incentivized, but the RCC remained open to allow existing Ad Hoc Payments Facility arrangements to continue. The RCC closed on December 31, 2019. The transfer was requested to ensure that the account would hold sufficient funds to honor pending and anticipated Ad Hoc Payments facility disbursements during the grace period following closure of the RCC.