



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Management Committee Meeting
Monday July 6, 2020

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- [REDACTED], Deputy Minister of Finance for Finance
- [REDACTED], Aid Management Directorate

Asian Development Bank (ADB)

- [REDACTED], Country Director
- [REDACTED]

Islamic Development Bank (ISDB)

- *Not present*

UNDP

- [REDACTED], Resident Representative

OFFICIAL OBSERVER - UNAMA

- [REDACTED], Country Representative of
- [REDACTED], Donor Coordination

ARTF SG OBSERVERS

- [REDACTED], Australia
- [REDACTED], Canada
- [REDACTED], EU
- [REDACTED], UK-DFID
- [REDACTED], US-USAID

WORLD BANK (ADMINISTRATOR)

- Henry Kerali, Country Director
- Keiko Nagai, ARTF Program Manager
- Katie Blanchette, ARTF Operations
- [REDACTED], ARTF Operations
- Tobias Haque, Senior Country Economist
- Jane Ebinger, Program Leader
- Yasuhiko Matsuda, Program Leader
- Janmejay Singh, Lead Social Development Specialist
- Shubha Chakravarty, Senior Economist

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

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, and the period through June 17, 2020, as well as (ii) projected sources and uses of funds for the remainder of CY 2020 (FY1399), the last year of the current PFFP. The Administrator presents the current cash position and commitments together with projections to ensure that ARTF finances are managed well and ARTF Steering Committee commitments to pipeline projects can be fully financed as approved.

The ARTF began FY 1399 with an unallocated cash balance of US\$ 756.14 million. Following new contributions, allocations to the Recurrent Cost Window, the Investment Window, the two Bank-executed windows ASIST and ACRMAP, fees, investment income, and refunds, the

current cash balance stands at US\$ 587.14 million, which is sufficient to finance the requests presented to the Management Committee in this meeting. New commitments during the remainder of CY 2020 are projected to total US\$ 704.5 million, which includes US\$ 388 million under the Investment Window for additional financing and/or tranche releases to current projects and ARTF contributions to new pipeline initiatives (the ARTF allocation to REACH will be financed by cancellations from current programs and so is not included in this total as it will not alter the total of ARTF commitments) and US\$ 300 million under the Recurrent Cost Window (US\$ 200 million in tranche release conditions for the Incentive Program Development Policy Grant approved at the May 2020 Management Committee meeting and US\$100 million presented .

The Administrator briefly highlighted the related portfolio restructuring exercise now nearing completion. GoIRA and WB have taken a close look at the portfolio to assess where financing could be released (or “cancelled”) from current projects to support GoIRA’s COVID response. Management Committee members received a brief provided earlier to ARTF donors, which summarizes the portfolio impacts of the cancellations. US\$ 125.08 million in ARTF financing for 11 projects is expected to be released to support the COVID-19 response. The Administrator noted that ARTF financing for the REACH initiative is proposed to be financed from the cancellations. The financial summary presented to the Management Committee does not include REACH financing as a projected use of funds (allocation) for this reason; the projections presented in the summary include only new uses of funds.

The requests presented to the ARTF Management Committee total between US\$ 197.5 and US\$ 223.5 million (with final ARTF allocations to REACH to be determined in the coming days), of which between US\$ 90 and US\$ 125 million will be financed from project cancellations now being processed.

The Administrator certified that the ARTF has sufficient financial resources to finance the financing requests and thanked the ARTF donors for contributions received as pledged in the first two years of the current ARTF Partnership Framework and Financing Program, as well as for their continued support.

2. REQUEST FOR APPROVAL: US\$ 100,000,000 in ARTF financing to support the COVID-19 Emergency Development Policy Grant.

The ARTF Administrator seeks MC approval of a US\$100 million grant from the Afghanistan Reconstruction Trust Fund (ARTF) for the proposed COVID-19 Development Policy Grant. The operation will be co-financed with an IDA grant of SDR 72.9 million (US\$100 million equivalent).

The Administrator noted that this emergency operation is not yet reflected in the formal ARTF pipeline updated at the Steering Committee’s last meeting held May 2019. The initiative forms one component of the COVID-19 emergency response, and was developed under expedited emergency procedures to respond to needs arising from the pandemic, which include actual and projected drops in revenues, an increased need for public expenditure and projections of contracting economic growth (as opposed to projections of some GDP growth pre-pandemic). The Emergency DPG has been closely coordinated with the International Monetary Fund and aims to support GoIRA’s response to the health, social, and economic crisis caused by the pandemic. It has been discussed and vetted by ARTF governance bodies including the ARTF Strategy Group, the ARTF Incentive Program Working Group, and the ARTF Gender Working Group and is expected to be formally incorporated in the ARTF portfolio at the next annual ARTF Steering Committee meeting. As such, the Administrator affirms that the program is consistent with the ARTF Partnership Framework and Financing Program.

The operation is expected to be presented to the World Bank Board of Directors for approval on July 9, 2020. The development objectives and pillars of the operation are: i) strengthening the policy framework to support relief and recovery for vulnerable people and firms; and ii) strengthening the policy framework for recovery and resilience in infrastructure provision.

The operation complements broader World Bank/ARTF interventions in response to COVID-19, including the emergency health sector intervention approved earlier and now under implementation, as well as the REACH initiative also tabled for discussion in the MC meeting. It will assist GoIRA to manage the impacts of the COVID-19 pandemic while also addressing critical constraints to longer-term inclusive development. Actions supported by the operation are aligned with government's overall reform agenda as laid out in the ANPDF and key goals of the government's eight-point plan for COVID-19 response.

DECISION: The Management Committee approved US\$ 100,000,000 in ARTF financing to support the COVID-19 Emergency Development Policy Grant.

3. REQUEST FOR APPROVAL CONTINGENT ON COMPLETION OF NEGOTIATIONS: Between US\$ 90,000,000 and US\$ 125,000,000 to support the Relief Effort for Afghan Communities and Households (REACH).

The ARTF Administrator seeks Management Committee approval to use Afghanistan Reconstruction Trust Fund (ARTF) financing for the proposed COVID-19 Relief Effort for Afghan Communities and Households (REACH).

This request differs from typical requests for Management Committee approval in three ways, each attributable to the quick pace of emergency project preparations and the portfolio restructuring underway to support them: 1) *Final ARTF allocation still pending*. At the time of the meeting invitation, the Administrator projected a US\$90 million allocation to REACH, to be financed from cancellations of ARTF funding from the portfolio restructuring exercise discussed earlier, with the remainder of program funding to be financed from IDA resources. The Administrator noted that as the portfolio restructuring exercises advances, it may be preferable to increase the ARTF allocation to the program, with the aim of using available ARTF cancellations, which total just over US\$ 125 million, primarily on a single program. 2) *Negotiations pending*. The Administrator noted that projects are typically presented to the Management Committee after World Bank-GolRA negotiations are completed. Negotiations for REACH were originally planned for July 7 but have shifted to later in the month. To ensure Management Committee approval before the project is presented to the WB Board of Executive Directors, the Administrator is asking the Management Committee to approve ARTF financing contingent on negotiations being completed. The Management Committee will be updated when the negotiations are complete. 3) *Project not yet reflected in ARTF pipeline*. As with the COVID-19 Emergency Development Policy Grant, REACH is not yet reflected in the formal ARTF pipeline updated at the Steering Committee's last meeting held May 2019. The initiative forms one component of the COVID-19 emergency response and was developed under expedited emergency procedures to respond to needs arising from the pandemic. It has been discussed and vetted by ARTF governance bodies including the ARTF Strategy Group and the ARTF Gender Working Group and is expected to be formally incorporated in the ARTF portfolio at the next annual ARTF Steering Committee meeting. As such, the Administrator affirms that the program is consistent with the ARTF Partnership Framework and Financing Program.

The proposed operation will provide emergency relief packages to all eligible households in the project's coverage areas across the country. The project targets all households in Afghanistan

with incomes of US\$2 per day or lower, twice the national poverty line, in 275 rural districts and 14 Provincial Capital Cities. Project design has been structured around four components based on the geographic coverage of three different implementing agencies already managing relevant projects in the WB current portfolio (i.e., Citizens' Charter Afghanistan Project, Eshteghal Zaiee-Karmondana, and Kabul Municipal Development Program) and a fourth component for project management. The component structure is designed to aid in easy absorption of REACH into existing units within the implementing agencies.

In rural areas, the benefit amount will be indexed at AFN 4000 (approx. US\$50 equivalent) per household in one tranche, delivered in-kind through a standard relief package that will include essential food staples and hygiene products. ARTF financing will support this component. In Provincial Capital Cities and in Kabul Municipality, a relief package worth a total of US\$100 will be distributed to each eligible household in two tranches, either in-kind (based on a standard relief package that will include essential food staples and hygiene products) or in cash, based on the preference of communities and subject to local circumstances based on pre-determined criteria. These components will be financed by IDA resources.

Emergency transfers under REACH will provide support to around 3.6 million households (of which 1.1 million urban and 2.5 million rural) during the immediate relief phase of GoIRA's response to the COVID-19 pandemic. REACH will work closely with CCAP, which is repurposing US\$ 100m to support the COVID response, and the President's National Human Security Program. The proposed program aims to target 93 percent of households with incomes less than twice the poverty line (US\$ 2/day) with a basic package of relief. The new REACH project will cover areas not currently financed by CCAP to provide a national relief effort. The project team noted that the design has benefitted from commentary and inputs from several rounds of consultations, and highlighted that in response to donor comments the project will benefit from enhanced fiduciary controls and will aim to serve all female-headed households.

A question asked why the project envisages two tranches of relief in urban areas but only one in rural; the team explained that the aim is for the pipeline ENETAWF initiative to support a second tranche in high risk rural areas. In response to a query, the team confirmed that the initiative is closely linked to the Humanitarian Response Plan and is envisioned as the development contribution to the humanitarian-development nexus in the area of social safety nets. A Management Committee member confirmed that the project had been discussed with the Humanitarian Country Team, and asked for clarification on the response to a question discussed in that forum: how will the project ensure that the right people receive the right items at the right time? The team noted that initially GoIRA planned to manage the distribution itself, but subsequently agreed to use Facilitating Partners as in the CCAP design; this will aid with cross verification, which is envisioned at three levels, through communities themselves, through the ARTF-financed third-party monitors, and through the Facilitating Partners.

In response to a query, the team explained that one tranche of support is expected to cover one month of household needs based on current estimates. The REACH program aims to provide broad support for food security but will not last long. People in need who are identified to be in levels of "crisis" and "emergency" food insecurity (IPC 3s and 4s) will continue to need humanitarian support, and it is hoped that the Humanitarian Response Plan is well-funded to that end. Once the pipeline ENETAWF program is operational (projected for fall/winter) and as social distancing needs ease, the WB plans for its emphasis to shift to recovery programs. A question asked if the projected timeline for ENETAWF mobilization is too ambitious. The WB team expected that it would not normally be expected to roll out so quickly, but will be linked to, and benefit from, REACH mobilization. After the initial distribution, Facilitating Partners in ENETAWF

districts will be asked to stay on, funded by REACH, to do the mobilization required to allow a fast-tracked distribution under ENETAWF. (Preparation of ENETAWF has also been expedited; it was originally planned for approval in early 2021 but has been brought forward to fall 2020.) UNDP noted that it is launching a small cash transfer program as part of its COVID-19 response, a US\$ 200 million livelihood program starting in January and an environment-focused program, and it would be good to coordinate these initiatives with the World Bank. The World Bank agreed to arrange for consultations between UNDP and World Bank teams to that end. [Planning for those discussions is in process as of the date of the minutes.]

DECISION: The Management Committee authorized the Administrator to allocate between US\$ 90,000,000 and US\$ 125,000,000 in ARTF financing for the Relief Effort for Afghan Communities and Households (REACH), contingent on the completion of negotiations between the World Bank and GoIRA. The Administrator will notify the MC of the final allocation decision and completion of negotiations.

Note: On July 28, 2020 the Administrator formally informed the MC that the ARTF allocation to REACH had been finalized at US\$ 125,000,000, with all ARTF funds being used to support Component 1 – Household support in rural and peri-urban areas.

4. REQUEST FOR APPROVAL: US\$ 7,500,000 in ARTF financing to support Bank-executed activities under the Anti-Corruption and Results Monitoring Action Program window of the ARTF.

When the ARTF Steering Committee approved the current Partnership Framework and Financing Program in 2018, it established a new World Bank-executed ARTF window: the Anti Corruption and Results Monitoring Action Program (ACReMAP). ACReMAP finances the extensive third-party monitoring program; the Management Committee approved financing for the new third-party monitoring contract at its February 16, 2020. The Administrator noted that an extensive third-party planning program is being developed for the REACH initiative, which may require some adjustments to the third-party monitoring contract. The Administrator will update the Management Committee regarding any changes to be proposed.

ACReMAP also finances initiatives led by WB staff themselves. ARTF donors receive quarterly updates on this work. The Administrator called Management Committee members' attention to the package of documents disseminated before the meeting, which included recent quarterly ACReMAP reports. The current proposal requests the Management Committee to approve financing for these World Bank-executed activities for the next two years. The activities fall under four pillars: 1) Addressing risks of misuse of resources in the World Bank portfolio through an enhanced fiduciary control framework; 2) Results monitoring; 3) Strengthening safeguards implementation; and 4) ACReMAP coordination. Indicative budgets and activities were outlined in the memorandum disseminated with the package of meeting documents.

The Asian Development Bank representative took note of the safeguards component of the proposal, and observed that social safeguards implementation on ADB projects has been a challenge in Afghanistan. The team is currently preparing a presentation for ADB executive leadership and requested an opportunity to consult with World Bank colleagues on their experiences. [The teams followed up after the Management Committee meeting. An initial discussion was held on July 9, with further discussions to be planned.]

DECISION: The Management Committee approved US\$ 7,500,000 in ARTF financing to World Bank executed activities under the ARTF ACREMAP window.

5. AOB

Deputy Minister of Finance ██████ thanked the Management Committee and World Bank for their support and noted that GoIRA looks forward to receiving final approval of IDA financing for the emergency initiatives and to beginning implementation of these important initiatives. He stressed that if Management Committee members or donors require further information or documentation about the initiatives from the Government they are welcome to contact the Ministry of Finance.