



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

Management Committee Meeting

MONDAY JUNE 17, 2019

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- Mr. [REDACTED], Deputy Minister
- Mr. [REDACTED]
- Mr. [REDACTED]
- Ms. [REDACTED]

Asian Development Bank (ADB)

- Mr. [REDACTED]

UNDP

- Ms. Laura Rio
- Ms. Nilofer Malik

UNAMA

- Mr. Atul Gupta
- Ms. Christina Human

ARTF SG OBSERVERS

- Ms. Amy Williams, Australia
- Mr. Maurizio Cian, EU
- Mr. Marco Stella, EU
- Mr. Lloyd Cameron, DFID
- Mr. Dave Martz, USAID
- Mr. [REDACTED], Canada
- Mr. [REDACTED], Finland

WORLD BANK (ADMINISTRATOR)

- Mr. Abdoulaye Seck, Operations Manager
- Ms. Wezi Msisha, Sr. Operations Officer
- Mr. Tobias Haque, Sr. Economist



1. April 7, 2019 MC MEETING MINUTES

The Administrator corrected a typo on the date of the April 7, 2019 meeting minutes (previous minutes read April 7, 2018). These revised minutes will be circulated today together with the June 10, 2019 meeting minutes for the MC's virtual review and approval.

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

The Administrator presented the financial status of the trust fund as of June 21, 2019. The statement (Annex 1) highlighted two main aspects: (i) Actuals which covers the period December 22, 2018 – April 20, 2019 and, (ii) Projections covering April 21, 2019 – June 21, 2019.

The total actual and projected contributions between December 22, 2018 – June 21, 2019 amount to US\$197 million and the total actual and projected commitments during this period amount to US\$314 million and the total actual and projected transfers amount to US\$639 million. With today's MC approval, the ARTF will have a negative net balance of US\$543 million and the cash position will go to a deficit of US\$85 million as of June 21.

The Administrator noted that the financial report includes both current cash position, commitments, as well as projections for the next 2 months to ensure that the ARTF finances are managed well, and funds are available for pipeline programs. The Administrator thanked the ARTF donors for their continued support to their ARTF and their contributions received to date. Also reiterated that this will require receipt of contributions to finance the pending commitments. In case of inadequate ARTF parent account cash balance in June 2019 then the grant could be provided to the government in tranches.

It was clarified that in case of inadequate cash balance the Administrator would not be able to sign new grant agreements with the government for pipeline projects. Also, that funds for the IPDPG would not be transferred to the government until the agreed policy benchmarks have been met. IDA funding for the IPDPG is separate and would be available irrespective of the ARTF financial status.

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3. REQUEST FOR APPROVAL: 2019 Incentive Program Development Policy Operation (US\$300 million)

The ARTF Administrator requested MC approval of a US\$300 million grant from the Afghanistan Reconstruction Trust Fund (ARTF) for the proposed 2019 Incentive Program Development



Policy Operation (IPDPG). The operation will be co-financed with an IDA grant of SDR 72.2 million (US\$100 million equivalent). The operation is expected to be presented to the World Bank Board of Directors for approval on June 20, 2019. It is the second of three planned stand-alone operations aligned with Government's current three-year program of policy reforms.

The World Bank task team leader (TTL) for the program noted the close collaboration and involvement with many of the development partners on the design of the 2019 IPDPG through the IP Working Group. He also commended the leadership of Deputy Minister (DM) [REDACTED] at MOF on the efforts to ensure the reforms are implemented on time, including weekly meetings with the Bank team to track progress.

Thirteen policy reforms are being supported through the 2019 IP DPG. The reforms supported by the operation are organized under two pillars: i) strengthening the policy framework to support state effectiveness, private investment, and social inclusion [including water, land, civil service reforms]; and (ii) improving the policy and institutional framework for public financial management. Additional policy actions were added this year on government reporting of revenue and cash management as ways to manage the risks associated with the coming elections. The government has already started reporting on these, and this is providing a high level of transparency into the government's cash management. This will enable all development partners to make decisions in case of any crisis with the government's budget

The operation will be composed of 11 tranches. The first tranche of US\$100 million of IDA resources is associated with three prior actions which have already been met by the government. Ten tranches of US\$30 million each of ARTF resources are associated with tranche release conditions that are expected to be fulfilled by a specified Completion Date (November 15, 2019).

The TTL noted that the ARTF Grant Agreement provides for US\$60 million financing (two tranches) associated with two actions that the Government has already achieved. The two actions are related to e-money/digital payments and tax administration. He further explained that all the IPDPG reforms are closely coordinated with the EU State Building Contract and the IMF Extended Credit Facility program, and all policy reforms are supported by technical inputs from Bank task teams/projects.

The DM Finance reiterated the risks that the elections may pose, and the importance of the government managing its cash reserves effectively. He noted that the MOF has cash management committee meetings weekly and releases the reports within a week thereafter. He further said that that government is mindful of their commitments to the IMF benchmarks, and is planning to meet all the IPDPG benchmarks by September/October before the elections even though the agreed deadline is November. Also pointed out that the IPDPG is key for the government as it provides almost 25% of the discretionary budget.



The EU asked what would happen if the benchmarks are not met by November 2019. The Bank noted that the amount of money allocated for any actions not met by November, will decrement by 10% (US\$ 3 million) each month. And if not met by May 2020, the full funds would be lost and not disbursed to the Government. The funds would remain in the ARTF parent account and used for other programs. This decrementing element is included in the program design based on the experience of implementing the IP over the last several years and its proven effectiveness as an incentive for timely completion of benchmarks.

The Administrator will inform the partners of the outcome of the IDA Board meeting on June 20th and again underscored the importance of contributions being made on time in the next few months to ensure availability of funds for the balance of the IPDPG disbursement.

Decision: The MC approved US\$300 million in ARTF financing for the 2019 IPDPG.

4. REQUEST FOR APPROVAL: Allocation of Funds to the Anti-Corruption and Results Monitoring Action Plan (ACReMAP) Window (US\$3.5 million)

The Administrator requested MC approval to transfer US\$3.5 million to the ARTF ACReMAP Window. The funds will be used to support various ongoing and new initiatives over the next fiscal year, including sectoral in-depth fiduciary reviews, strengthening safeguards management in portfolio projects, creation of an open data portal for portfolio projects and supporting the National Environmental Protection agency on environmental safeguards. The Administrator noted that US\$9 million has already been allocated under the ACReMAP to finance the two ongoing third-party monitoring contracts based following MC approval in April 2019. The two contracts were extended till December 2019. The US\$3.5 million includes an initial amount of US\$1.5 million for the Third Phase of the ARTF Third Party Monitoring (TPM) Program, which was required to initiate the selection of the new TPM firm. The selection process is underway and is expected to be finalized by November 2019. The full funding amount for the TPM program will be requested from the MC, once the contract has been awarded.

A question was raised on the estimated amount for the new TPM contract. The Administrator explained that this information could not be shared since the selection process was still in progress. It was further clarified that the evaluation of expressions of interest was recently completed and the process is now at the request for proposals stage. Another question was asked on the cost of the current TPM contracts. The Administrator informed the MC that the investment project monitoring contract was \$21 million for the initial 3 years, and the recurrent cost monitoring contract was around \$3 million a year. The total amounts have increased with the two recent contract extensions.

Decision: The MC approved the US\$3.5 million transfer to the ARTF ACReMAP Window.



5. VIRTUAL APPROVAL: Request for Replenishment of the ARTF Monitoring Agent Child Trust Fund (US\$4 million)

The minutes document the MC's April 24, 2019 approval of a request to allocate US\$5 million to the ARTF Investment Window Third Party Monitoring (TPM) Agent child trust fund. The funds were required to replenish the child trust fund to finance the current TPM firm's contract extension for the period April-December 2019.

- 6. AOB:** (i)The Administrator briefed the MC on the 5 projects restructured in FY19 (list attached as Annex 2); (ii) the Administrator noted that this was the last meeting for the World Bank Operations Manager, Mr. Abdoulaye Seck. The incoming Operations Manager Ms. Zahra Fotouhi would be starting her assignment on July 1st together with the new Country Director Mr. Henry Kerali; and (iii) the tentative date for the next MC meeting is September 2019 for the review of the Afghanistan Extractive Sector Development project which is in the final stages of preparation.



Annex 1: ARTF Cash Balance Statement as of April 20, 2019

ARTF PARENT FUND NET POSITION AND CASH BALANCE STATEMENT

DATE: April 20, 2019

		NET position	CASH balance
		(USD MILLION)	
A. ACTUAL VALUES AT START OF PERIOD:	December 21, 2018	(426.42)	357.34
ACTUAL CONTRIBUTIONS, COMMITMENTS AND TRANSFERS: December 22, 2018 to April 20, 2019			
B. CONTRIBUTIONS (= 1 + 2)		196.99	196.99
1. CONTRIBUTIONS to the CORE ARTF (= a + b)		196.99	196.99
a. ACTUAL PAID-IN contributions		82.50	82.50
Admin Fee minus Investment Income		9.92	9.92
EU: EUR 11,820,000	December 28, 2018	13.49	13.49
ESTONIA: EUR 450,000	December 28, 2018	0.51	0.51
DENMARK: DKK 48,000,000	January 4, 2019	7.37	7.37
DENMARK: DKK 35,000,000	January 4, 2019	5.37	5.37
DENMARK: DKK 24,500,000	January 4, 2019	3.77	3.77
EU: EUR 3,975,000	January 8, 2019	4.53	4.53
FINLAND: EUR 2,400,000	January 14, 2019	2.76	2.76
EU: EUR 15,000,000	January 14, 2019	17.29	17.29
CZECH REPUBLIC: CZK 20,000,000	January 15, 2019	0.90	0.90
AUSTRALIA: AUD 20,000,000	January 25, 2019	14.36	14.36
JAPAN: 2,232,142	March 21, 2019	2.23	2.23
b. PROJECTED contributions		114.49	114.49
ITALY: EUR 2,500,000	May 15, 2019	3.00	3.00
EU: EUR 3,950,000	May 15, 2019	4.40	4.40
EU: EUR 3,950,000	May 15, 2019	4.40	4.40
EU: EUR 1,975,000	May 15, 2019	2.20	2.20
EU: EUR 880,000	May 15, 2019	0.99	0.99
EU: EUR 20,000,000	May 15, 2019	22.60	22.60
EU: EUR 20,000,000	May 15, 2019	22.60	22.60



EU: EUR 2,750,000	May 15, 2019	3.10	3.10
SWEDEN: SEK 475,000,000	May 15, 2019	51.20	51.20
2. CONTRIBUTIONS to the AD-HOC PAYMENTS MECHANISM (= c + d)		0.00	0.00
c. ACTUAL PAID-IN contributions		0.00	0.00
d. PROJECTED contributions		0.00	0.00
C. COMMITMENTS AND TRANSFERS (= 3 + 4 + 5 + 6)		314.47	639.47
3. COMMITMENTS and TRANSFERS to RECURRENT COST WINDOW (= e + f)		300.00	300.00
e. ACTUAL commitments and transfers to RECURRENT COST WINDOW		0.00	0.00
f. PROJECTED commitments and transfers to RECURRENT COST WINDOW		300.00	300.00
2019 IP DPG	June 17, 2019	300.00	300.00
4. COMMITMENTS and TRANSFERS to INVESTMENT WINDOW (= g + h)		3.61	328.61
g. ACTUAL commitments and transfers to project-specific child-RETFs under INVESTMENT WINDOW		3.61	108.61
Education Quality Reform in Afghanistan (EQRA): transfer	February 14, 2019		100.00
Non-Formal Approach to Training, Educ. & Jobs : refund of undisbursed balance	January 14, 2019	(9.47)	(9.47)
Afghanistan Technical Assistance Facility: refund of undisbursed balance	January 22, 2019	(3.75)	(3.75)
Tackling Afghanistan's Government HRM and Institutional Refo (TAGHIR)	April 1, 2019		50.00
System Enhancement for Health in Transition Project (SEHAT): reflow	April 11, 2019	(28.17)	(28.17)
Afghanistan Land Administration System Project (ALASP)	April 7, 2019	10.00	
Payments Automation and Integration of Salaries in Afghanistan (PAISA) Project	April 7, 2019	35.00	
h. PROJECTED commitments and transfers to project-specific child-RETFs under INVESTMENT WINDOW		0.00	220.00
Eshteghal Zaiee - Kamondena (EZ-KAR) Project - transfer	May 22, 2019		50.00
Cities Investment Program (CIP) - transfer	May 28, 2019		25.00
Afghanistan Land Administration System Project (ALASP)	June 7, 2019		10.00
Payments Automation and Integration of Salaries in Afghanistan (PAISA) Project	April 25, 2019		35.00
Citizens' Charter Program - Pending Tranche	June 15, 2019		100.00



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5. TRANSFERS to ADVISORY SERVICES, IMPLEMENTATION SUPPORT AND TA (ASIST) WINDOW (= i + j)		(1.64)	(1.64)
i. ACTUAL transfers to ASIST WINDOW		(1.64)	(1.64)
Reflow of funds from ASIST Window to the Parent Account	February 15, 2019	(1.80)	(1.80)
Cumulative transfers during the period		0.16	0.16
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j. PROJECTED transfers to ASIST WINDOW		0.00	0.00
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6. TRANSFERS to ANTI-CORRUPTION and RESULTS MONITORING ACTION PROGRAM (ACReMAP) (= k + l)		12.50	12.50
k. ACTUAL transfers to ACReMAP WINDOW		4.00	0.00
Replenishment of the ARTF Monitoring Agent: commitment	April 7, 2019	4.00	
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l. PROJECTED transfers to ACReMAP WINDOW		8.50	12.50
Replenishment of the ARTF Monitoring Agent	April 23, 2019		4.00
Replenishment of the ARTF Supervisory Agent	April 24, 2019	5.00	
Replenishment of the ARTF Supervisory Agent	April 25, 2019		5.00
Additional funding for ACReMAP	June 17, 2019	3.50	3.50
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D. ACTUAL VALUES AS OF REPORT DATE (= A + a + c - e - g - i - k):	April 20, 2019	(349.89)	332.87
E. PROJECTED VALUES AT END OF PERIOD (= A + B - C):	June 21, 2019	(543.90)	(85.14)

NOTES:

¹CTF stands for "child trust fund" - there is a designated CTF for each project funded by ARTF

²International Labor Migration PPG was approved during 2015-2017 FS and was part of the total commitments carried over to 2018-2020 PPF.

The task team has decided to reduce to USD 1.5m. An adjustment entry of USD 5m has been created to the net balance

RETF stands for Recipient Executed Trust Fund

BETF stands for Bank Executed Trust Fund

Note: The actual closing balance as of December 21, 2018 is subject to a minor change - The monthly yearend report yet to be finalized.



Annex 2: ARTF Projects Restructured in FY19 as of June 17, 2019

List of ARTF Projects Restructured in FY19								
Fund	Project ID	Project Name	Grant Amount (US\$)	Project Approval Date	Previous Closing Date	New Closing Date	Restructuring Approval Date	Type of Restructuring
TF-A2839	P157035	Afghanistan Technical Assistance Facility	5 million	28-Jun-16	30-Jun-20	10-Jan-19	1-Jan-19	Early closure and cancellation of \$3.7 million undisbursed funds
TF-16354	P146015	Non-Formal Approach to Training Education and Jobs in Afghanistan	15 million	11-Apr-14	30-Dec-18	31-Oct-18	15-Oct-18	Early closure and cancellation of \$9.4 million undisbursed funds
TF-50577	P091258	ARTF Recurrent and Capital Costs	5.1 billion	13-May-02	31-Mar-19	31-Dec-19	28-Mar-19	9 month closing date extension
TF-50577	P091258	ARTF Recurrent and Capital Costs	5.1 billion	13-May-02	31-Dec-18	31-Mar-19	20-Dec-18	3 month closing date extension
TF0A5630	P157827	Mazar-e-Sharif Gas to Power Project PPG	6.5 million	10-Sep-17	30-Apr-19	31-Oct-20	30-Apr-19	18 month closing date extension
TF0A4809	P170179	Afghanistan Extractive Sector Development PPG (formerly Afghanistan Extractive for	7.3 million	1-May-17	30-Apr-19	30-Sep-19	1-Apr-19	5 month closing date extension