



AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)
Management Committee Meeting
Monday August 4, 2020

MINUTES OF MEETING

MC MEMBERS

Ministry of Finance (MOF)

- Habib Zadran, Deputy Minister of Finance
- Habib Daftani, Aid Management Directorate

Asian Development Bank (ADB)

- Narendra Singru, Country Director*¹

Islamic Development Bank (ISDB)

- Ata Ur Rahman Durrani, Country Rep.²

UNDP

- Abdallah al Dardari, Resident Rep.

OFFICIAL OBSERVER - UNAMA

- Pamela Husain, Head of Resident Coordinator's Office
- Atul Gupta, Donor Coordination

ARTF SG OBSERVERS

- Rose Roxborough, Australia
- Naseer Malikzai, Australia
- Renata Pistone, Canada
- Sayed Saadat, Canada
- Natalija Waldhuber, EU
- Lope Gallagher, EU
- Bettina Horstmann, Germany
- Melle van Dijk, Netherlands
- Olivier Bangerter, Switzerland
- Edward Davis, UK-DFID
- Alex Pao, US-USAID
- Ahmad Seear Serat, US-USAID

WORLD BANK (ADMINISTRATOR)

- Henry Kerali, Country Director
- Homa Fotouhi, Operations Manager
- Keiko Nagai, ARTF Program Manager
- Katie Blanchette, ARTF Operations
- Najibullah Ziar, ARTF Operations
- Jane Ebinger, Program Leader
- Loraine Ronc
- Janmejay Singh, Lead Social Development Specialist
- Shubha Chakravarty, Senior Economist

¹ Planned to attend the meeting but was called away by a last-minute scheduling conflict. Conveyed support for the two proposals on the agenda to the World Bank by email before the meeting.

² Planned to attend the meeting but was called away by a last-minute scheduling conflict. Conveyed support for the two proposals on the agenda to the World Bank by telephone before the meeting.

1. Approval of July 6, 2020 meeting minutes.

During the July 2020 MC meeting, the MC endorsed a range of possible ARTF financing for the Relief Effort for Afghan Communities and Households (REACH) project, to be finalized following project negotiations. The Administrator informed MC members of several updates since that decision. First negotiations have been completed. Second, the final amount of ARTF financing, was set at US\$ 125 million. Third, 47 districts that are currently considered 'hard to reach' for security reasons are included in the REACH project, and the government Dastarkhan Milli program supported by the REACH is nationwide, but roll-out will be phased based on security considerations. These areas will be added to the program once a secure implementation modality is agreed upon for them. The date for the Board consideration of REACH and EATS, which was originally planned for August 7, was moved up to August 4 to allow for a full discussion of the hard-to-reach areas.

The MC adopted the minutes of the July 6, 2020 meeting.

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

The financial status update aims to confirm that the ARTF has sufficient funds to finance the requests being presented to the MC at any given meeting, which for this discussion total US\$ 45.9 million.

Before addressing the specifics of current ARTF finances, the Administrator offered an overview of the finances of the overall COVID-19 response for context. The WB expects to make US\$ 1.4 billion of on-budget resources available for Afghanistan's COVID response, drawing from both IDA and ARTF resources. Just under 25 percent of this sum (US\$ 325 million, of which US\$ 198 million has been drawn from IDA and US\$ 125 million from ARTF) has been drawn from cancellations/partial cancellations from active projects in the portfolio. The remainder has been sourced from both existing and new unprogrammed resources and from repurposing of planned pipeline initiatives.

- *US\$ 1.1 billion of this sum will focus on relief measures, of which the ARTF is expected to contribute US\$ 608 million, including US\$ 125 million from cancellations of ARTF financing). US\$ 300 million in relief measures for health and budget support have been fully approved. Of this sum, the ARTF contributed US\$ 100 million to the emergency budget support. The REACH and EATS projects together are expected to represent an additional US\$ 480 million in support once fully approved. Of this sum, the ARTF contribution (subject to the MC's approval of EATS) is expected to total US\$ 170 million, including US\$ 125 million in partial cancellations from the current portfolio that will be used to finance the ARTF contribution to REACH. Two additional relief measures are under preparation and the Administrator expects to present them to the MC in the coming months. Together, the two initiatives (additional financing for CCAP and a proposed Water, Sanitation and Hygiene COVID 19 Response project) are expected to have a total value of US\$ 425 million, of which the ARTF is expected to contribute US\$ 338 million.*
- *US\$ 300 million of this sum will focus on recovery measures, of which the ARTF is expected to contribute US\$ 115 million. The IDA-only Strengthening Afghanistan's Financial Intermediation project (SAFI) (US\$ 100 million) is expected to be approved this month. The Early Warning, Early Action and Early Finance (ENETAWF) (US\$ 200 million, of which the ARTF is expected to contribute US\$ 115 million) project has been under preparation for some time, and REACH has been designed to complement it.*

Turning to the current financial update, the Administrator 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.

Turning to the specifics of the financial update, the Administrator noted that since the last meeting, the ARTF has recorded an additional US\$45 million in contributions under “sources of funds”.

The ARTF began FY 1399 with an unallocated cash balance of US\$ 756.14 million. Following new contributions, which include US\$ 45 million in new contributions since the last Management Committee meeting, 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\$ 524.58 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\$ 812.06 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 (excluding the ARTF allocation to REACH, which 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\$ 200 million under the Recurrent Cost Window (for tranche release conditions for the Incentive Program Development Policy Grant approved at the May 2020 Management Committee meeting; the US\$ 100 million that ARTF will contribute to support the COVID-19 Emergency DPG has been transferred already)

The requests presented to the ARTF Management Committee total US\$ 45.9 million. 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.

3. REQUEST FOR APPROVAL: US\$ 45,000,000 in ARTF financing to support the Emergency Agriculture and Food Supply Project (EATS).

The ARTF Administrator seeks MC approval of a US\$ 45 million grant from the ARTF for the proposed Emergency Agriculture and Food Supply Project (EATS). The operation will be co-financed with an IDA grant of SDR 40.0 million (US\$ 55 million equivalent). 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. The Administrator noted that, as with the Emergency DPG and REACH projects considered at the last meeting, this emergency operation is not yet reflected in the formal ARTF pipeline updated at the Steering Committee’s last meeting held May 2019. It will be formally presented to the Steering Committee when it next meets (tentatively planned for later in August but with date to be confirmed)

EATS aims to respond to rising risks to food security and livelihoods and disruptions to the food supply chain that have been caused by the COVID-19 pandemic. Its project development objective is “[i]n response to COVID-19 emergency ... to support critical food supply chains and create short-term economic opportunities.” The US\$ 100 million investment project (US\$ 55 million IDA, US\$ 45 million ARTF) will run for two years. Beneficiaries are expected to include

approximately 36,000 smallholder farmers in irrigated areas; 25,000 farmers in rainfed areas; and 22,000 females from kitchen garden support. 280,000 wheat farmers will benefit from subsidized, certified wheat seeds and good agricultural practice support in year one and 320,000 farmers will benefit in year two. Roughly 120 private sector food supply chain small and medium enterprises and private seed companies will benefit from technical assistance and grant fund, and household and community members will benefit from short-term jobs. An estimated five million person days of labor for unskilled workers from irrigation works (1.6 million) and watershed management (3.4 million) are expected to be created by the project. The project aims to respond to emergency needs while supporting medium-term recovery.

Though as an emergency project it has not yet incorporated in the endorsed ARTF pipeline, it has been consulted with ARTF donors, and the team reviewed comments and questions provided by donors on topics including the focus on wheat production, gender, project design, crop diversification, coordination within government and with other existing agriculture initiatives, project coverage and targeting, governance and transparency considerations, and alignment with the Agribusiness Charter and the (now delayed) Opportunity for Maximizing Agribusiness Investment and Development (OMAID) project.

UNDP noted its interest to work with the Bank on value chains and local economic development, in response to COVID-19, and the project team affirmed its continued willingness to coordinate with UN partners including UNDP. In response to a question, the project team explained that 16 percent of project resources will be used to finance improved seeds. A comment expressed appreciation for the project's support to women, and asked if support would extend beyond the kitchen garden level since some women are engaged in formal agriculture. The project team explained that it will. While the kitchen garden component is directly targeted at benefitting women at scale, the project results matrix targets delivering results for women throughout, including e.g., positive discrimination for women in the SME component. A related question asked whether and if so how the project will engage youth, particularly unemployed youth in rural areas. The team affirmed that there is a plan in mind that draws on positive experiences from the National Horticulture and Livestock Project, to engage youth in project-supported outreach (over time, this can support the youth to develop into fee-based service providers); the operations manual currently being developed will articulate these plans (and similar plans to engage other vulnerable groups) in more detail.

DECISION: The Management Committee approved US\$ 45,000,000 in ARTF financing to support the Emergency Agriculture and Food Supply Project (EATS).

4. REQUEST FOR APPROVAL: Allocate US\$ 900,000 to Digital ASIST.

The ARTF Partnership Framework and Financing Program (PFFP) established the Advisory Services, Implementation Support and Technical Assistance (ASIST) World Bank-executed window in the ARTF to finance coordinated technical assistance to strategically important sectors. One percent of PFFP resources (US\$ 15 million) was allocated to ASIST. ASIST allows specific requests for research, advisory, or technical assistance support from GoIRA ministries to be presented to the ARTF Strategy Group (SG) for review and approval. Currently, two and a half years into the three-year PFFP, four initiatives (total US\$ 7.7 million, just over half of the ASIST allocation) have been approved. The most recent was endorsed in February, for the Afghanistan Energy Study 2.0.

During the annual Country Portfolio Performance Review, MOF recommended a fifth initiative, to advance complex procurements needed to improve Internet bandwidth. The complex, long-term

nature of the support required fits well with the overall objectives of the ASIST window, and in response to the CPPR recommendation the team developed a proposal with endorsement from the Ministry of Communications and Information Technology and Ministry of Finance.

This proposal is distinct from other ASIST initiatives in one important sense, however. The underlying Digital CASA project that it will support is financed solely by IDA; all of the other ASIST initiatives are linked to projects that receive ARTF financing. Digital CASA is part of a broader regional program that became effective on May 15, 2018. The regional program supports a regionally integrated, cross-border digital infrastructure and enabling environment including through development of a regional transit hub for Internet traffic and improved broadband Internet connectivity in the landlocked countries of South and Central Asia. The ultimate aim of the regional program and its associated country-level programs is to bring reliable and affordable Internet services to citizens, link small and medium enterprises and workers to the digital economy, and catalyze innovations in the delivery of public and private services. Implementation has been slow in Afghanistan in part owing to the complexity of various procurements that must be undertaken to support the project.

The Digital ASIST initiative will provide US\$ 300,000 financing per annum to provide needed technical assistance through the World Bank to advance these initiatives. While Digital CASA does not receive ARTF financing, with the increased emphasis on remote connectivity during the COVID-19 pandemic, as well as the emphasis within the ARTF ACREMAP window on providing technical assistance to support transparent public procurements, Digital ASIST is well-aligned with PFFP priorities. The ARTF Strategy Group reviewed and discussed the proposal at its July meeting, and has endorsed it for financing.

DECISION: The Management Committee approved US\$ 900,000 in ARTF financing for the World Bank-executed Digital ASIST initiative that will support the Digital CASA project.

5. AOB

The World Bank is working with the Ministry of Finance to identify a date to hold the ARTF Steering Committee meeting, which it aims to convene in August. Management Committee members will be invited to observe the meeting.