

AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)

MANAGEMENT COMMITTEE (MC) MEETING

TUESDAY, AUGUST 14, 2007 – 8:30 A.M. WASHINGTON D.C. (5:00 P.M. KABUL)

DRAFT MINUTES OF MEETING

MEETING PARTICIPANTS

MC MEMBERS

ASIAN DEVELOPMENT BANK

- Mr. Brian Fawcett (Kabul)

UNITED NATIONS DEVELOPMENT PROGRAM

- Ms. Akiko Suzaki (New York)
- Ms. Anita Nirody (Kabul)

UNAMA

ISLAMIC DEVELOPMENT BANK

WORLD BANK (MC MEMBERS)

- Mr. Alastair McKechnie (Washington)

World Bank

- Ms. Mariam Sherman (Kabul)
- Ms. Ludmilla Butenko (Kabul)
- Ms. Sheila Braka Musiime (Washington)
- Ms. Karlene C. Phillips (Washington))
- Mr. David Freese (Kabul)
- Mr. Amit Ramchandani (Kabul)
- Mr. Yoichiro Ishihara (Kabul)
- Ms. Shekeba Muheb (Kabul)

OBSERVERS

MINISTRY OF FINANCE

- Deputy Minister Shahrani (MOF)
- Mr. Ateequllah (MOF)

AGENDA

1. Approval of draft Minutes of the Management Committee meeting of July 10, 2007
2. Administrator's Report on ARTF Financial Status as of July 22, 2007
3. TORs for the Proposed ARTF Review Requested by ARTF Donors
4. Agenda for the September 2007 ARTF Donor Committee Meeting
5. Proposed Meeting Schedule for the coming three months:
 - September 2007 (Tuesday, September 11, 2007)
 - October 2007 (Tuesday, October 9, 2007)
 - November 2007 (Tuesday, November 13, 2007)
6. Any other business

1. APPROVAL OF MINUTES

The MC approved the draft Minutes of the MC meeting of July 10, 2007 subject to deleting the sentence “This program would likely be funded in large part through the ARTF”.

2. Financial Status of ARTF as of July 22, 2007

Balances

As of July 22, 2007, total donor pledges for SY1386 amount to US\$557.38 million comprising US\$349.60 million (63%) without preference and US\$207.78 million (37%) with preferences. Paid-in donor contributions at July 22, 2007 amounted to US\$123.42 million.

Sources and Uses of Funds

Paid-in donor contributions of US\$ 123.42 million with net income (investment income less IDA fees) of US\$ 1.25 million total provides US\$ 123.67 million in sources of funds for 1386. With cash carried over of US\$ 294.07 million, a total consolidated source of funds of US\$ 418.74 million is available to the ARTF.

As of July 22, 2007 disbursements of US\$ 52.07 million had been made (US\$ 14.55 million for recurrent cost financing and US\$ 35.69 million for investment financing) leaving an end-of-period cash balance of US\$366.67 million comprising: (a) US\$180.48 million cash balance in the recurrent cost financing; (b) combined undisbursed balances of the ARTF active investment portfolio of US\$131.61 million; and (c) US\$5.49 million reserved for the Monitoring Agent, leaving unallocated cash balance of US\$49.09 million. Of this unallocated balance, the ARTF Management Committee has already approved the following allocations for which transfers will be made once legal agreements are countersigned by Government and (for the MCP) effectiveness is declared:

- a) US\$10 million for the Management Capacity Project;
- b) US\$33 million for the Microfinance for Poverty Reduction Project; and
- c) US\$12 million for the Education Quality Improvement Program (total approval for US\$27 million; US\$15 million to be allocated after mid-year budget revision for the program).

The table below sets out the ARTF cash position as of August 13, 2007.

Updated ARTF cash position as of 13 August 2007

(in US\$ million)

Balance as of 22 July 2007	49.09
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Sources of Fund	
Canada	85.66
Finland	2.73
Norway	10.26

Uses of Fund	
To be transferred to EQUIP (July 2007 MC decision - action pending with the Government)	(12.00)
To be transferred to Microfinance project (June 2007 MC decision - action pending with the Government)	(33.00)
To be transferred to MCP (February 2007 MC decision - action pending with the CSC)	(10.00)

Updated Balance as of 13 August 2007	92.74
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At the September 11, 2007 ARTF MC meeting, allocations of US\$ 70 million (recurrent cost financing) and US\$ 30 million (National Solidarity Project II supplemental amount, previously approved in principle) will be discussed.

3. Terms of Reference for the proposed ARTF review requested by ARTF Donors

In 2005 an independent evaluation of the ARTF was made. ARTF Donors have proposed a second, external review of the ARTF. Donor comments on the draft TORs have been reviewed and incorporated.

The ARTF MC noted the following:

- The evaluation should look to the future of the ARTF given that the Government's budgetary issues are different now from that which existed at the inception of the ARTF.
- Final TORs (incorporating Donor and MC comments), a draft contract proposal (indicating costs), and a note detailing the procurement procedure to be used for selecting the

consultant(s) will be shared with the ARTF MC for review and approval once all documentation is available.

- Using ARTF Donor funds to finance the cost of the evaluation is acceptable, bearing in mind a final decision will be made by the MC. This practice is standard on multi-Donor trust funds and is part of the Standard Terms and Conditions each ARTF Donor signs with the Administrator.

4. Agenda for the September 2007 ARTF Donors' Committee meeting

Agenda items were proposed, including: a second independent external review of the ARTF; a review of Government's budget (mid-year review and status report by Government); PAM implementation to date; financial status of ARTF (including where we stand on surety of recurrent cost financing, preferences and possibly modifying preferencing guidelines for the second half of 1386; extension of the 'termination date' of the ARTF; projections from Donors for their SY1387 contributions to ARTF.

The proposed date for the September Donors' Committee meeting will be September 27th, right after the JCMB, (subsequent to the MC meeting, we have learnt that the JCMB meeting will slip to October, so the ARTF Donors meeting will also slip).

5. PROPOSED MEETING SCHEDULE

The revised upcoming meeting schedule is as follows:

Tuesday, September 11, 2007

Tuesday, October 9, 2007

Tuesday, November 13, 2007

6. ANY OTHER BUSINESS

Increase in Recurrent Cost Financing Ceiling.

Additional ARTF funding of US\$6 million for recurrent cost financing in 1386 was discussed in May 2007 with the ARTF Donors who signaled their approval to raising the ceiling provided (a) the additional funding was used to finance the pool of existing eligible expenditures; (b) that the additional budget expenditure was reviewed with the IMF and that the IMF raise no objections; (c) that the ARTF donors make additional contributions to ensure that the US\$ 6 million does not diminish the pool of resources available for priority programs and investments. Since that time, during the June 2007 IMF mission, the issue was discussed between Government and the IMF. The IMF mission raised no objection to raising the ceiling from US\$ 270 million to US\$ 276 million.

The ARTF MC approved raising the ceiling for recurrent cost financing in 1386 from US\$ 270 million to US\$ 276 million. The revised figure will be reflected in ARTF financial statements as of August 22 2007.

Status of Proposed New Power Sector Investment:

A Project Concept review meeting will be held for key Administrator's units on August 22. The Government indicated that their priorities for Afghanistan's reconstruction are chiefly the power sector and education sectors.

Drafted by Shekeba Muheb
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