

**AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)**

**MANAGEMENT COMMITTEE (MC) MEETING**

**WEDNESDAY, JUNE 13, 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 Suzuki (New York)

⌚ Mr. Henri-Francois Morand

**UNAMA**

⌚ Mr. Shakti Sinha (Kabul)

**ISLAMIC DEVELOPMENT BANK**

⌚ Mr Kunrat Wirasubrata (Jeddah)

**WORLD BANK (MC MEMBERS)**

⌚ Mr. Alastair McKechnie (Washington)

**World Bank**

⌚ Mr Paul Sisk (Kabul)

⌚ Ms. Ludmilla Butenko (Kabul)

⌚ Mr. Hugh Riddell (Washington)

⌚ Mr. Amit Ramchandani (Kabul)

⌚ Ms. Annemarie Mecca (Washington)

⌚ Mr. Martin Serrano (Washington)

⌚ Mr Reazul Islam (Kabul)

**OBSERVERS**

**MINISTRY OF FINANCE**

⌚ Mr. Paul Banerjee

⌚ Dr. M Mustafa Mastoor (DG  
Budget)

**AGENDA**

1. Approval of draft Minutes of the Management Committee meeting of May 24, 2007
2. Administrator's Report on ARTF Financial Status as of May 21, 2007.
3. Proposal for approval of US\$70 million for the Recurrent Cost Financing Trust Fund.
4. Microfinance Support for Poverty Reduction Project - proposal for review; Government's request for US\$33 million.
5. Proposed Meeting Schedule for the coming three months:  
July 2007 (Tuesday, July 10, 2007)  
August 2007 (Tuesday, August 14, 2007)  
September 2007 (Tuesday, September 11, 2007)
6. Any other business

## **1. APPROVAL OF MINUTES**

The MC approved the draft Minutes of the MC meeting of May 24, 2007.

## **2. APPROVAL OF ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF MAY 21, 2007**

### **Contributions:**

As of May 21, 2007 total donor pledges for SY1386 were US\$ 497 million of which US\$ 318 million was un-preferenced and of which US\$ 81 million had been paid in.

### **Sources and Uses of Funds:**

Receipts of US\$ 81 million, plus an investment income of US\$ 672,000, combined with cash carried over (both allocated and unallocated) of US\$ 294.073 million provide a total combined source of funds of US\$ 376.137 million.

Total actual disbursements for SY1386 are US\$ 43.799 million including US\$ 14.55 million in recurrent costs and US\$ 28.399 million investment financing at May 21, 2007 and US\$ 850,000 in fees to the monitoring agent. The ARTF cash balance at the end of the reporting period was US\$332.338 million. Of this amount, US\$ 196.545 million was committed (US\$ 110.479 million for recurrent cost financing; US\$ 79.596 million for investment financing; and US\$ 6.47 million for fees to the Monitoring Agent). The uncommitted cash balance at May 21, 2007 was US\$135.793 million. Of this amount the MC has already approved US\$ 10 million for the Management Capacity Program and US\$60 million for the National Solidarity Program (approved at the MC meeting of May 24, 2007).

Since May 21, 2007 (end of the reporting period) an additional US\$ 40.45 million in contributions was received. Thus as of June 12, 2007, ARTF's unallocated cash balance totaled US\$ 106.24 million.

## **3. PROPOSAL FOR APPROVAL OF TRANSFER OF US\$ 70 MILLION TO THE RECURRENT COST FINANCING TRUST FUND:**

**The MC approved the transfer of US\$ 70 million from the main trust fund account to the account for the Recurrent Cost Trust Fund.** The Administrator explained that the amount served to restore the trust fund balance – after transfer to the government's budget – to the agreed buffer of US\$ 70 million.

## **4. MICROFINANCE SUPPORT FOR POVERTY REDUCTION PROJECT - PROPOSAL FOR REVIEW; GOVERNMENT'S REQUEST FOR US\$33 MILLION:**

Government's request for US\$33 million from ARTF for 1386 (as per the national budget) to finance the Microfinance Support for Poverty Reduction (TF 52452) was presented and discussed. The following points were raised and noted:

- **The performance of the program to date in terms of meeting its own development objectives.** It was noted by MC members that the documentation could present more clearly the

progress of the program towards meeting its own development objectives. The baseline survey, impact assessment and alternative livelihood study that were being undertaken would have been welcome inputs to the MC's decision making. The project team and administrator underscored the success of the program to date, particularly in terms of speed of scale-up, outreach and transition to sustainability.

- **The impact of insecurity on the project meeting its objectives.** The team noted that while insecurity had obstructed the progress that MFIs can achieve there was good progress in some conflict-affected provinces, such as Kandahar and Helmand. Overall, MISFA was encouraging MFIs to operate in safer provinces where there chances of becoming sustainable faster were greater.
- **The reasoning behind doing a baseline study at this stage of the program.** It was noted that the ability to gather data and information on borrowers had been a gap at the start of the program but that going forward, this kind of data would assist policy development, targeting and impact evaluation.
- **The technicalities of a mobile phone banking scheme.** The task team explained how such schemes were working in comparable contexts elsewhere to lower the costs of savings and transfers for poor and remote communities.
- **The sustainability of the program and the phase-out of grants.** Two potential risks were noted: (a) did sustainability mean that MFIs would start acting against the interests of poor Afghan clients (b) the extent to which microfinance would ever reach sustainability in Afghanistan – a concern that the Minister of Finance had previously shared with the MC. The task team noted that (a) MFIs operated according to agreed microfinance good practice norms that would protect the interest of clients and (b) the track record was positive so far – with 90 percent operational sustainability across the sector and 3 operationally sustainable MFIs at present.
- **Islamic finance instruments.** Some MFIs were beginning to develop Islamic Finance instruments. The IsDB noted a potential new investment in this area.

**The MC approved additional financing of US\$ 33 million for the Microfinance Support for Poverty Reduction (TF 52452) out of the total US\$ 90 million package for the SY1386.** The Administrator agrees to return to the MC with simplified documentation related to the program's impact and outputs, when requesting follow-on contributions later in the year.

## **5. PROPOSED MEETING SCHEDULE**

The revised upcoming meeting schedule is as follows (June meeting shifted back by one day). If MC members are absent in July, that meeting may be shifted or cancelled.

Tuesday, July 10, 2007

Tuesday, August 14, 2007

Tuesday, September 11, 2007

## 6. ANY OTHER BUSINESS

- **Recognizing the contribution of Ameera Haq.** Alastair, on behalf of the MC, noted the valuable contribution that Ameera Haq made to the work of the MC through her engaged and frank participation in the meetings and discussions. Ms Haq's assignment with UNDP has come to an end.
- **Kabul roads.** Alastair updated the MC members regarding the Government's request for ARTF financing for Kabul roads. Recent meetings at the Palace have underlined the urgency with which road rehabilitation is required. The agreement is for preparation and really urgent work to go ahead financed out of Kabul municipality's own budget. A full request for funding will be presented later. The possibility of some retroactive financing will be explored.
- **Kabul power.** While the original discussions were around extra sub-stations, there has not been a decision to prioritise distribution. This follows major investments in large power generators and in electricity imports, putting more pressure on the capacity of distribution across the 'final mile'. Discussions on the nature, scope and size of the Government's request for ARTF financing are ongoing between MEW and MoF.
- **Law and justice sector program.** Alastair updated the MC members on the recent discussions, in the lead-up to the Rome Conference, July 3, 2007, around financing mechanisms for a Law and Justice sector national program. Following discussions between the World Bank, UNAMA and the Government, the World Bank has elaborated the skeleton of a national program for the Law and Justice sector. The Government is now working on fleshing the framework out possibly as an input to the Rome Conference in July.

