

**AFGHANISTAN RECONSTRUCTION TRUST FUND (ARTF)**

**MANAGEMENT COMMITTEE (MC) MEETING**

**TUESDAY, SEPTEMBER 11, 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)
- Ms. Anita Nirody (Kabul)

**UNAMA**

- Mr. Bo Asplund (Kabul)
- Mr. Shakti Sinha (Kabul)

**ISLAMIC DEVELOPMENT BANK**

- Mr Kunrat Wirasubrata (Jeddah)

**OBSERVERS**

**MINISTRY OF FINANCE**

- Deputy Minister Shahrani (MOF)
- Mr. Paul Banerjee (MOF)

**WORLD BANK (MC MEMBERS)**

- Mr. Alastair McKechnie (Kabul)

**World Bank**

- Mr. Paul Sisk (Kabul)
- Ms. Ludmilla Butenko (Kabul)
- Ms. Sheila Braka Musiime (Washington)
- Ms. Karlene C. Phillips (Washington))
- Ms. Melinda Good (Washington)
- Mr. Hugh Riddell (Washington)
- Ms. Susanne Holste (Kabul)
- Mr. David Freese (Kabul)
- Mr. Amit Ramchandani (Kabul)
- Ms. Shekeba Muheb (Kabul)
- Mr. M. Edreess Sahak (Kabul)

**AGENDA**

1. Approval of draft Minutes of the Management Committee meeting of August 14, 2007;
2. Administrator's Report on ARTF Financial Status as of August 22, 2007;
3. Government Request for approval of US\$72 million for SY1386 Second Quarter requirement of Recurrent Cost Financing;
4. National Solidarity Project II – Government Request for approval of allocation of the balance US\$30 million to the project;
5. Update on the ARTF Evaluation;
6. Proposed Meeting Schedule for the coming three months:
  - October 2007 (Tuesday, October 9, 2007)
  - November 2007 (Tuesday, November 13, 2007)
  - December 2007 (Tuesday December 12, 2007)
7. Any other business

## **1. APPROVAL OF MINUTES**

The MC approved the draft Minutes of the MC meeting of August 14, 2007.

## **2. APPROVAL OF ADMINISTRATOR'S REPORT ON FINANCIAL STATUS OF ARTF AS OF AUGUST 22, 2007**

### **Contributions:**

As of August 22, 2007 total donor pledges for SY1386 amount to US\$ 588 million of which US\$ 364 million was un-preferenced and US\$ 223 million was preferenced. Of this total, US\$ 222 million had been paid in, or 38 percent of the total contribution.

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

Paid-in contributions of US\$ 222 million, with net income of US\$ 5 million (investment income less IDA fees) provides sources of funds of US\$ 227 million in sources of funds for 1386. With cash carried over of US\$ 294 million, a total consolidated source of funds of US\$ 521 million is available to the ARTF.

As of August 22, 2007, actual disbursements so far for SY1386 were US\$ 107 million including US\$ 65 million for recurrent cost financing , US\$ 41 million for investment financing and US\$ 2 million in fees to the monitoring agent. The ARTF cash balance at the end of the reporting period was US\$ 414 million, comprising US\$ 130 million committed to recurrent cost financing; US\$ 127 million undisbursed and committed to investment financing; and US\$ 5 million set aside for future fees to the Monitoring Agent. This leaves unallocated cash balance of US\$ 151 million, of which the MC has already approved US\$ 10 million for the Management Capacity Program, US\$ 33 million for the Microfinance for Poverty Reduction Project, and US\$ 12 million for the Education Quality Improvement Program.

Since August 22, 2007 (end of the reporting period) an additional US\$ 109 million in contributions were received. Thus as of September 10, 2007, ARTF's unallocated cash balance totaled US\$ 203 million (after adjusting for Administrator's fee of US\$ 1.48 million).

<b>Updated ARTF cash position as of 10 September 2007</b>	
<i>(in US\$ million)</i>	
<b>Balance as of 22 August 2007</b>	<b>150.99</b>
<b>Sources of Fund</b>	
UK	108.98
<b>Uses of Fund</b>	
Administrator's fee	(1.48)
Transferred to EQUIP (July 2007 MC decision)	(12.00)
Transferred to Microfinance project (June 2007 MC decision)	(33.00)
To be transferred to MCP (February 2007 MC decision - action pending with the World Bank)	(10.00)
<b>Updated Balance as of 10 September 2007</b>	<b>203.49</b>

In addition, the Administrator noted that a three-year grant agreement had been signed with the Netherlands on September 10, 2007 for contribution of US\$ 7.8 million with expression of preference for the Microfinance Program. Signed grant agreements were upcoming shortly with Spain (EUR 15 million) and Italy (EUR 6 million).

Deputy Minister Shahrani noted that recent Government discussions indicated an interest in using unallocated cash balance in the areas of construction for education and higher education, rural access and power (Mazar-i-Sharif distribution). Alastair McKechnie also noted that during second half of the fiscal year there may also be a need to replenish the National Solidarity Program as well as demands from the upcoming National Justice Program, to be part-financed through the ARTF.

Allocation for the Management Capacity Program, which had been approved in February, had still not been made. The effectiveness of the MCP is contingent upon a satisfactory Project Implementation Manual being adopted – this manual has been prepared by the Civil Service Commission and is pending the Administrator's approval.

### **3. PROPOSAL FOR APPROVAL OF TRANSFER OF US\$ 72 MILLION TO THE RECURRENT COST FINANCING TRUST FUND:**

**The MC approved allocating US\$ 72 million to 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. NATIONAL SOLIDARITY PROGRAM - PROPOSAL FOR REVIEW; GOVERNMENT'S REQUEST FOR US\$ 30 MILLION:**

Administrator staff reminded the meeting how the ARTF MC reviewed the NSP II technical document detailing agreed implementation, procurement, fiduciary, and safeguards arrangements meeting at the MC meeting of May 24, 2007. Based on this satisfactory review, the MC approved US\$ 90 million for the NSP, in line with the Government's budget, with US\$ 60

million to be made available immediately and an additional US\$ 30 million be disbursed upon the approval of a brief project implementation status note (one to two pages) at the time additional funds are needed. This brief note was duly presented to the meeting by Ms Susanne Holste, Task Team Leader for the NSP.

Questions were raised by the members of the MC on the following set of issues: security, gender & outcomes monitoring and commitments/disbursements in the NSP.

On security, members were interested in sharing experiences emerging from the NSP in terms of good practice in operating in high-risk areas. Ms Holste responded that NSP was cross-training facilitating partners with good track records in implementing in insecure parts of the country. Mr McKechnie supported the exchange of information and noted that the World Bank was currently undertaking an internal review of how security is impacting on Bank operations.

On gender and outcomes monitoring, Ms Holste noted that a baseline study was being undertaken using a robust methodology developed by Harvard University. This study would enable proper impact evaluation. A more detailed note on the gender issues was subsequently circulated to the members of the Management Committee.

On commitments of the previously approved US\$ 60 million, Ms Holste confirmed that 100 percent was committed and only US\$ 12 million remained undisbursed.

**The MC approved the transfer of the US\$ 30 million balance for the National Solidarity Program (based on the agreed simplified documentation) out of the total US\$ 90 million package for SY 1386.**

## **5. UPDATE ON THE ARTF EVALUATION**

The Administrator updated the MC members on progress made in taking into account the comments on the first draft of the ARTF Evaluation terms of reference. A new draft would soon be circulated. MC members approved moving forward, with procurement of the team on a sole-source basis, conditional on meeting the World Bank's own procurement requirements. It was noted that the previous evaluation team had done excellent work and were noted for their independence.

## **6. UPCOMING MEETING SCHEDULE**

Changes were made in the proposed schedule. The new meeting dates are as follows:

MC meeting October:	Thursday, October 4, 2007
MC meeting November:	Tuesday, November 13, 2007
MC meeting December:	Tuesday, December 12, 2007

## **7. ANY OTHER BUSINESS**

No other business was raised.

Prepared by Hugh Riddell  
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