

OFFICIAL
DOCUMENTS

GRANT NUMBER D6830-AF

Financing Agreement

(COVID-19 Response Development Policy Financing)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D6830-AF

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I of the Schedule to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to seventy- two million nine hundred thousand Special Drawing Rights (SDR 72,900,000) ("Financing").
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Payment Dates are June 15 and December 15 in each year.
- 2.04. The Payment Currency is Dollar.
- 2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance
Pashtunistan Watt
Kabul, Islamic Republic of Afghanistan; and

(b) the Recipient's Electronic Address is:

Facsimile:
+93-202-103-259

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Association's Electronic Address is:

Facsimile:
+1-202-477-6391

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF AFGHANISTAN

By



Authorized Representative

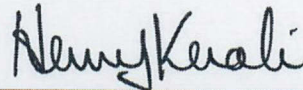
Name: Abdul Hadi Arghandiwal

Title: Acting Minister of Finance

Date: July 12, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: HENRY KERALI

Title: COUNTRY DIRECTOR

Date: JULY 11, 2020

SCHEDULE

Program Actions; Availability of Financing Proceeds

Section I. Actions Taken Under the Program.

The actions taken by the Recipient under the Program include the following:

Pillar 1. Strengthening the Policy Framework to Support Relief and Recovery for Vulnerable People and Firms

1. To support sustained access to credit for MSMEs, DAB has issued a circular reducing provisioning requirements for loans secured by risk guarantees from the Afghan Credit Guarantee Foundation.
2. To support increased use of electronic money, DAB has issued a circular to simplify procedures for the opening of mobile wallets and to increase transaction limits.
3. To protect healthcare workers, the Ministry of Public Health has issued guidelines in compliance with WHO standards for: (a) safe healthcare work practices and the provision of adequate PPE to frontline medical staff; and (b) safe and appropriate management of medical waste.
4. To help address gender-based violence, the Minister of Education has approved a gender-based violence action plan.

Pillar 2. Strengthening the Policy Framework for Recovery and Resilience in Infrastructure Provision

5. To support the continuation of essential infrastructure services, DABS and the Ministry of Finance have signed a revision to the Partnership Agreement to ensure continued financial sustainability through the COVID-19 crisis.
6. To support recovery and resilience of the water sector, Afghanistan Urban Water Supply and Sewerage Corporation has approved fully funded Recovery Plans for its three strategic business units in the major cities of Afghanistan.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	72,900,000
TOTAL AMOUNT	72,900,000

C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Afghani equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Audit. Upon the Association's request, the Recipient shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and;

3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is December 31, 2020.

APPENDIX

Definitions

1. “Afghan Credit Guarantee Foundation” means the charitable foundation registered in September 2014 under German law in Cologne, Germany to contribute to the development of the private sectors by improving access to finance for Afghan small- and medium-sized enterprises.
2. “Afghanistan Urban Water Supply and Sewerage Corporation” or “AUWSSC” means the Recipient’s corporation responsible for urban water supply and sewerage, or any successor thereto.
3. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
4. “DAB” or “Da Afghanistan Bank” means the Recipient’s central bank, established and operating pursuant to Da Afghanistan Bank Law (published in the Recipient’s Official Gazette No. 819 of February 19, 2004, as amended to the date), or any successor thereto.
5. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018.
6. “Ministry of Education” means the Recipient’s ministry responsible for education, or any successor thereto.
7. “Ministry of Finance” means the Recipient’s ministry responsible for finance, or any successor thereto.
8. “Ministry of Public Health” means the Recipient’s ministry responsible for public health, or any successor thereto.
9. “MSME” means micro, small, and medium enterprise; and “MSMEs” means, collectively, all such MSME.
10. “Partnership Agreement” means the agreement between the Ministry of Finance and DABS dated November 11, 2018 for the purposes of ensuring DABS financial sustainability to support its power supply operations.
11. “PPE” means personal protective equipment.
12. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated June 1, 2020 from the Recipient to the Association

declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of the Schedule to this Agreement, and actions to be taken consistent with the program's objectives.

13. "Recovery Plans" means the plans prepared by AUWSSC's strategic business units to: (a) protect staff; (b) safely organize service delivery under COVID-19 pandemic; and (c) strengthen recovery as well as resilience in case of future emergencies.
14. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
15. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of the Schedule to this Agreement.
16. "WHO" or "World Health Organization" means the specialized agencies of the United Nations responsible for international health, established and operating pursuant to its constitution dated April 7, 1948.