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**GRANT NUMBER H496-AF**

**AMENDMENT  
CREDIT NUMBER 3844-AF**

# **Financing Agreement**

**(Additional Financing for the Emergency Customs Modernization and Trade  
Facilitation Project and Amendment to the Development Credit Agreement)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 28, 2009**

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## **FINANCING AGREEMENT**

AGREEMENT dated June 28, 2009, entered into between ISLAMIC REPUBLIC OF AFGHANISTAN (the “Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

This Agreement: (i) sets out the terms and conditions related to the Additional Financing for the Emergency Customs Modernization and Trade Facilitation Project; and (ii) amends specific provisions of the Development Credit Agreement (herein referred to as the Original Financing Agreement, as such term is defined in the Appendix to this Agreement).

The Recipient and the Association hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral 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, the Original Financing Agreement or in the Appendix to this Agreement.

### **ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to four million six hundred thousand Special Drawing Rights (SDR 4,600,000) (the “Grant” or the “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (the “Project”).
- 2.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Grant Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is United States Dollars.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through ACD assisted by the Project Implementation Consultants, in coordination with MOC, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(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 (20) years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the Minister of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance  
Pashtunistan Watt  
Kabul  
Islamic Republic of Afghanistan

Facsimile:

93-20-210-3258

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

/s/ Mohammed Omar Zakhilwal  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/Mariam J. Sherman  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to: (i) provide the Recipient with emergency assistance in the establishment of a more efficient customs and transit regime; (ii) assist the Recipient's efforts to increase, in the short term, through the reduction of customs irregularities and inefficiencies, the collecting capacity of the ACD and the Recipient's other collection agencies; (iii) assist the Recipient's efforts to decrease, in the medium to long term, trade transaction costs through: (A) improvements in key customs and related transit infrastructure and communications; and (B) improvements in customs and transit administration; and (iv) assist the Recipient in: (A) laying the basis for a functioning customs service; and (B) taking appropriate measures to facilitate its international trade.

The Project consists of the Original Project.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

- A. The implementation arrangements contained in Schedule 4 to the Original Financing Agreement constitute an integral part of this Agreement.
- B. The Recipient shall carry out the Project in accordance with the Environmental and Social Safeguards Framework and except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Environmental and Social Safeguards Framework if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

#### **C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

#### **Section II. Project Monitoring, Reporting, Evaluation**

##### **A. Project Reports**

- 1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08(b) of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- 2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

##### **B. Financial Management, Financial Reports and Audits**

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the

end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	National Competitive Bidding*
(b)	Shopping
(c)	Direct Contracting

\* **National Competitive Bidding** shall be subject to the following additional procedures:

- (i) Standard bidding documents approved by the Association will be used.
- (ii) Invitations to bid will be advertised in at least one (1) widely circulated national daily newspaper and bidding documents will be made available to prospective bidders, at least twenty-eight (28) days prior to the deadline for the submission of bids.
- (iii) Bids will not be invited on the basis of percentage premium or discount over the estimated cost.
- (iv) Bidding documents will be made available, by mail or in person, to all who are willing to pay the required fee.
- (v) Foreign bidders will not be precluded from bidding.
- (vi) Qualification criteria (in case pre-qualifications were not carried out) will be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder will be given reasonable opportunity of registering, without any hindrance.
- (vii) Bidders may deliver bids, at their option, either in person or by courier service or by mail.
- (viii) All bidders will provide bid security as indicated in the bidding documents. A bidder's bid security will apply only to a specific bid.
- (ix) Bids will be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.
- (x) Evaluation of bids will be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Association.



- (xi) Bids will not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
- (xii) Split award or lottery in award of contracts will not be carried out. When two (2) or more bidders quote the same price, an investigation will be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved will be disqualified and the award will then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids will be invited after receiving the concurrence of the Association.
- (xiii) Contracts will be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
- (xiv) Extension of bid validity will not be allowed without the prior concurrence of the Association: (A) for the first request for extension if it is longer than four (4) weeks; and (B) for all subsequent requests for extensions irrespective of the period.
- (xv) Negotiations will not be allowed with the lowest evaluated or any other bidders.
- (xvi) Re-bidding will not be carried out without the Association's prior concurrence.
- (xvii) All contractors or suppliers will provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security will apply to a specific contract under which it was furnished.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality-Based Selection
(b)	Single-Source Selection
(c)	Least-Cost Selection
(d)	Selection Based on the Consultants' Qualifications
(e)	Selection under a Fixed Budget
(f)	Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) all contracts for goods or works procured on the basis of International Competitive Bidding; (b) each contract for works estimated to cost the equivalent of \$500,000 or more and each contract for goods estimated to cost the equivalent of \$200,000 or more, procured on the basis of National Competitive Bidding; (c) each contract for goods or works procured on the basis of Direct Contracting regardless of value; (d) each contract for consultants' services estimated to cost the equivalent of \$100,000 or more; (e) each contract for consultants' services procured on the basis of Single-Source Selection; and (f) each contract for consultants' services by an individual estimated to cost the equivalent of \$50,000 or more. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Grant**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (Expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of taxes)</b>
(1) Goods, works Consultants' Services, Services financed through Grants, Training, Audit Costs and Incremental Operating Costs*	4,600,000	100%
<b>TOTAL AMOUNT</b>	<b>4,600,000</b>	

\*For purposes of this paragraph, the term "Incremental Operating Costs" means incremental expenses incurred on account of Project implementation, support and management including the rental of office space, the operation, maintenance, rental and insurance of vehicles, fuel costs, communications supplies and charges, advertisement expenses, books and periodicals, office administration and maintenance costs, bank transaction charges, utility charges, domestic travel and per diem, Project allowances for officials and staff of the Recipient's civil service, but excluding salaries of officials and staff of the Recipient's civil service.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed SDR 3,350,000 equivalent may be made for payments made prior to this date but on or after March 1, 2008, for Eligible Expenditures.
2. The Closing Date is December 31, 2010.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “ACD” means the Afghanistan Customs Department in MOF.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006.
4. “Environmental and Social Safeguards Framework” means the Recipient’s Environmental and Social Safeguards Framework furnished to the Association in 2002 which: (i) has been developed for emergency rehabilitation projects; and (ii) provides for certain environmental and social impact mitigation measures to be undertaken by the Recipient as part of the implementation of the Project, including guidelines and mitigation measures for the selection, design, contracting, construction, monitoring and evaluation of Sub-Projects, as said Environmental and Social Safeguards Framework may be amended from time to time by agreement between the Recipient and the Association.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
6. “MOC” means the Recipient’s Ministry of Commerce or any successor entity thereto.
7. “MOF” means the Recipient’s Ministry of Finance or any successor entity thereto.
8. “Original Financing Agreement” means the Development Credit Agreement for the Emergency Customs Modernization and Trade Facilitation Project between the Recipient (referred to therein as the “Borrower”) and the Association, dated January 20, 2004, (Credit No. 3844).
9. “Original Project” means the Project described in Schedule 2 to the Original Financing Agreement as amended to date.
10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October, 2006.

11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 22, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
12. “Project Implementation Consultants” means UNOPS, UNCTAD and UNIDO or any implementation consultant employed for purposes of the Project in accordance with the provisions of this Agreement.
13. “UNCTAD” means the United Nations Conference on Trade and Development.
14. “UNIDO” means the United Nations Industrial Development Organization.
15. “UNOPS” means the United Nations Office for Project Services.

**Section II. Amendment to the Original Financing Agreement**

The Original Financing Agreement is amended as follows:

1. The Closing Date as set out in Section 2.03 of the Original Financing Agreement is hereby extended to December 31, 2010.
2. The definition of “Incremental Operating Costs” set out in Section IV.A(2) of Schedule 2 to the Original Financing Agreement is amended to read as set out in Section IV.A(2) of Schedule 2 to this Financing Agreement.

All other terms of the Original Financing Agreement not hereby amended remain the same.