

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H484 - AF

Project Agreement

(Financial Sector Strengthening Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

Da AFGHANISTAN BANK

Dated May 24, 2009

Public Disclosure Authorized

PROJECT AGREEMENT

AGREEMENT dated May 24, 2009, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”) and Da AFGHANISTAN BANK (the “Project Implementing Entity” or “DAB”) (the “Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between Islamic Republic of Afghanistan (the “Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Governor, Da Afghanistan Bank.

4.02. The Association's Address is:

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

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

4.03. The Project Implementing Entity's Address is:

Da Afghanistan Bank
Ibn-e-Sina Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:
93 (20) 2100305

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Mariam J. Sherman
Authorized Representative

Da AFGHANISTAN BANK

By

/s/ Abdul Fitrat
Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

1. DAB shall maintain throughout the implementation of the Project:
 - (a) a Project Steering Committee (PSC), chaired by the Governor or the first Deputy Governor of DAB, and composed of all heads of departments involved in implementation of the Project, to be responsible for overseeing the overall implementation of the Project and for providing strategic guidance and managerial direction for the Project. More specifically, PSC will be responsible for, *inter alia*:
 - (i) ensuring that coordination meetings are held regularly;
 - (ii) reviewing the bimonthly implementation progress report prepared by PIC;
 - (iii) examining the progress of implementation of all Parts of the Project and providing guidance and decisions as required to PIC for smooth Project implementation;
 - (iv) ensuring that PIC is implementing the Project in accordance with the World Bank's Procurement Guidelines and Consultant Guidelines, and approving all the procurement decisions;
 - (v) approving awards of all contracts, including contract agreements;
 - (vi) reviewing of the quarterly disbursement and financial management reports prepared by PIC; and
 - (vii) ensuring that all relevant covenants set out in the Financing Agreement and Project Agreement are met as agreed with the Association, and that quarterly Project progress reports, and interim un-audited financial reports are submitted on time.
 - (b) a Project Implementation Cell led by a Project Director, with terms of reference, staffing and resources acceptable to the Association, to be responsible for the day-to-day management of Project implementation and for providing technical and supervisory support for the implementation of the Project. More specifically, PIC will be responsible for, *inter alia*, coordination of Project implementation among the various DAB departments and the PSC, preparation of annual work

plans and budgets, procurement, financial management, and preparation of progress reports and submission of such reports to PSC for review and approval before submission to the Association.

2. The Recipient through DAB shall carry out the Project in accordance with the Financial Management Manual to be adopted in accordance with Section IV(c) of the Schedule to the Project Agreement, and, except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Financial Management Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity 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 such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later one month after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the

Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. Other Undertakings

- (a) DAB shall no later than June 30, 2009, establish and thereafter maintain throughout the period of Project implementation, a Project Steering Committee.
- (b) DAB shall no later than October 31, 2009, appoint a financial management consultant within PIC and thereafter maintain for the duration of the Project a suitably qualified financial management specialist.
- (c) DAB shall no later than October 31, 2009, adopt a Financial Management Manual for the Project acceptable to the Association.