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**GRANT NUMBER H523-AF**

# **Financing Agreement**

**(Pension Administration and Safety Net Project)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated November 11, 2009**

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**GRANT NUMBER H523-AF**

**FINANCING AGREEMENT**

AGREEMENT dated November 11, 2009, entered into between ISLAMIC REPUBLIC OF AFGHANISTAN (the “Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”). 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 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 nine hundred thousand Special Drawing Rights (SDR 4,900,000) (the “Financing” or the “Grant”) to assist in financing the project described in Schedule 1 to this Agreement (“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 Financing 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 MoLSAMD 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 Additional Condition of Effectiveness is that the Recipient through MoLSAMD has adopted a Project Implementation Plan acceptable to the Association, in accordance with Section I.A(2) of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. 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 its 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 objectives of the Project are to: (i) improve the administration of the Recipient's public pension schemes; and (ii) pilot a modest social safety net program as a first step to developing a sustainable approach to safety nets in the country.

The Project consists of the following parts:

#### Part 1: Pensions

- (a) Designing new administrative arrangements for the Recipient's public pension system including: (i) evaluating the systems and processes of all the pension schemes under the Existing Pension System, and designing new mechanisms for the processing of claims and delivery of pension benefits; (ii) preparing and reviewing operational procedures, manuals and guidelines for the pension schemes, and providing training to MoLSAMD staff on them; (iii) designing and implementing a new management information system for the Pension Department; (iv) outsourcing the maintenance of the Pension Department's management information system; (v) acquisition of basic office infrastructure, carrying out of minor renovation works for the existing Pension Department offices, and installation of stable electricity supply for the Pension Department in Kabul; (vi) developing a strategy for the administrative integration of the families of martyrs and the disabled pension scheme and the public sector retirement pension scheme under the Existing Pension System; and (vii) strengthening the systems of pension contribution deduction, including carrying out a public information campaign, provision of training to personnel of the budget spending units responsible for payroll processing, and strengthening compliance monitoring systems of MoF.
- (b) Modernization of the Recipient's Existing Pension System through the systemization and cleaning of records of the pension schemes under the Existing Pension System, including: (i) designing and implementing a pensioners census and life certification process; (ii) digitizing records of pension schemes under the Existing Pension System; (iii) carrying out a survey of pensioners under the Existing Pension System to monitor reform outcomes; and (iv) developing procedures for the selection of Beneficiaries for pension payouts, calculating the lump sum amounts to be paid, and proposing payment mechanisms for them.

#### Part 2: Safety Nets

- (a) Designing and implementing a pilot safety net program, including: (i) developing a Pilot Safety Net Program Plan containing detailed program implementation parameters for the pilot program including principles and procedures for the

selection of targeted group(s) and covered areas, determination of benefits, financial management modes, administrative arrangements, monitoring and impact evaluation mechanisms, definition of roles and responsibilities of various departments of MoLSAMD both at the central and provincial levels and other involved agencies, preparation of operational manuals, and devising a strategy for the rollout of the pilots; (ii) provision of Pilot Benefits to eligible Beneficiaries under the pilot safety net program; and (iii) carrying out an evaluation of the pilots to determine the feasibility of scaling up the program.

- (b) Strengthening the institutional capacity of MoLSAMD to: (i) plan and administer its own social safety net programs and monitor and evaluate the impact thereof; (ii) develop and maintain a data base of ongoing social protection activities in the country; and (iii) use the database to advance a national social protection agenda.

### Part 3: Project Management

Strengthening the institutional capacity of the Recipient for the management and implementation of the Project, including: (i) provision of technical advisory services and training to staff involved in Project implementation in, *inter alia*, Project management, financial management, procurement and monitoring and evaluation; (ii) designing and implementing training programs for management and staff on, *inter alia*, social protection policies, service delivery and modernization reforms; and (iii) provision of support for the day-to-day implementation of the Project.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall vest the overall responsibility for Project implementation in MoLSAMD, and to that end shall:
  - (a) maintain throughout the period of implementation of the Project, a steering committee (the “Steering Committee”) chaired by the Minister of MoLSAMD or his authorized representative and comprised of, *inter alia*, the Deputy Ministers or authorized representatives of MoF, MoWA, MRRD, IARCSC and MoLSAMD, and assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall guidance, support and oversight of Project implementation, including, the coordination of inter-sectoral agenda/issues, and approval of the Pilot Safety Net Program Plan, annual implementation plans and quarterly progress reports submitted by the PCU.
  - (b) maintain throughout the period of implementation of the Project, a Project Coordination Unit (the “PCU”) within MoLSAMD under the supervision of the GMU. The PCU shall, at all times throughout Project implementation, be headed by an appropriately qualified Project manager, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the Association, comprising, *inter alia*, pension system and safety net experts, and financial management and procurement specialists; which unit shall be assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the day-to-day implementation of the Project, including coordination of Project implementation among various government agencies and ministries, preparation of the Pilot Safety Net Program Plan in form and substance satisfactory to the Association and submitting it to the Steering Committee for approval, and the procurement, financial management, reporting and monitoring and evaluation of Project activities, all in coordination with, and under the supervision of, the GMU.
  - (c) maintain throughout the period of implementation of the Project, two (2) technical working groups, one each for Parts 1 and 2 of the Project (the “Pensions Technical Working Group” and the “Safety Net Technical Working Group”, respectively), which groups shall: (i) be headed by a



Deputy Minister of MoLSAMD and be comprised of appropriately qualified technical representatives from line agencies and ministries of the Recipient specified in the Presidential Decree that established the Technical Working Groups, including experts on pension plans and social safety nets, respectively, under terms of reference satisfactory to the Association; and (ii) be assigned with such functions and responsibilities, satisfactory to the Association as shall be required to assess and propose, where appropriate, improvements to Project design, monitor technical aspects of their respective Parts of the Project, review Project reports, and provide technical advice to the Steering Committee on their respective fields.

- (d) cause MoLSAMD through the PCU to coordinate with MoF on the implementation of Part 1(a)(vii) of the Project. In this respect the PCU shall be responsible for providing training and consultants' services to assist MoF in strengthening monitoring compliance. MoF shall remain responsible for contribution collection and compliance monitoring.

2. The Recipient through MoLSAMD shall:

- (a) adopt and thereafter carry out the Project in accordance with the Project Implementation Plan, which Plan includes a financial management manual and a procurement manual providing for, *inter alia*: (i) the institutional arrangements for the implementation of the Project; (ii) the roles and responsibilities of all financial management staff, documentation and approval procedures for payments, Project reporting requirements, and quality assurance measures to help ensure that adequate internal controls and procedures are in place and are being followed; (iii) Project supervision, and monitoring and evaluation procedures; (iv) the defining and coordination of tasks and activities among all agencies, ministries and units of the Recipient involved in implementation of the Project, including the Technical Working Groups, the PCU, GMU and SDU; and (v) procurement procedures, standard bidding documents and model contracts in conformity with the provisions of this Agreement, all consistent with, and complementary to, the provisions of this Agreement.
- (b) not amend, waive, suspend, terminate or abrogate any of the provisions of the Project Implementation Plan, whether in whole or in part, if in the opinion of the Association, such amendment, wavier, suspension, termination or abrogation might materially and adversely affect the implementation of the Project, the achievement of the Project's objectives, and be inconsistent with the provisions of this Agreement.

3. The Recipient shall ensure that all civil works under the Project shall be carried out 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 Management Framework if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project, the achievement of the Project's objectives, and be inconsistent with the provisions of this Agreement.

**B. Safety Net Pilots**

The Recipient through MoLSAMD undertakes to:

- (i) cause the PCU to prepare a Pilot Safety Net Program Plan for the provision of Pilot Benefits and submit such plan to the Steering Committee for review and approval;
- (ii) cause the Steering Committee to make a final decision on the Pilot Safety Net Program Plan, including: (A) defining the characteristics of Beneficiaries (the targeting mechanism); (B) determining the form and size of benefits and services; (C) determining the administration modalities, including: Beneficiary selection process; benefit delivery mechanism; contract arrangements between Beneficiaries and the relevant entity through which the Pilot Benefits will be passed; verification system; monitoring and evaluation systems; management information system; inspection and technical supervision; and inter-agency coordination; and
- (iii) thereafter, carry out the pilot program described in the Pilot Safety Net Program Plan in accordance with the provisions of said plan, and not amend, waive, suspend, terminate or abrogate any of the provisions of the Pilot Safety Net Program Plan, whether in whole or in part, if in the opinion of the Association, such amendment, waiver, suspension, termination or abrogation might materially and adversely affect the implementation of the Project and the achievement of the Project's objectives.

**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 and 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 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 as part of the Project Report, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited 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, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six 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 Section.

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 Section.
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 carried out in accordance with the Recipient's Procurement Law published in Official Gazette No. 865 of October 25, 2005, as amended on January 19, 2009, and 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 or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form 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)	Selection Based on Consultants' Qualifications
(c)	Least-Cost Selection
(d)	Selection under Fixed Budget
(e)	Single Source Selection
(f)	Individual Consultants

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

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) each contract for goods estimated to cost the equivalent of \$200,000 or more;
- (b) each contract for works estimated to cost the equivalent of \$500,000 or more;
- (c) all contracts for goods or works to be procured on the basis of International Competitive Bidding or Direct Contracting regardless of value;
- (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more;
- (e) each contract for consultants' services provided by an individual estimated to cost the equivalent of \$50,000 or more; and
- (f) each contract for consultants' services procured on the basis of Single-Source

Selection regardless of value. 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 and Incremental Operating Costs for the Project	3,180,000	100%
(2) Pilot Benefits under Part 2(a)(ii) of the Project.	1,170,000	100%
(3) Refund of Preparation Advance	550,000	Amount payable pursuant to Section 2.07 of the General Conditions
<b>TOTAL AMOUNT</b>	4,900,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement; or
  - (b) under Category (2) until the Association has been furnished with documentary evidence of the Steering Committee's approval of the Pilot Safety Net Program Plan, pursuant to Section I.B of this Schedule.
2. The Closing Date is December 31, 2013.



## 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. “Beneficiaries” means poor, needy, vulnerable and/or disadvantaged individuals or families in selected provinces of the Recipient that are determined to be eligible to receive Pilot Benefits in accordance with eligibility criteria to be developed by the Recipient in accordance with Section I.B of Schedule 2 to this Agreement.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “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.
5. “Environmental and Social Safeguards Framework” means the Recipient’s Environmental and Social Safeguards Framework furnished to the Association in 2002 (including any amendments made from time to time) which sets out, among other things: (i) key principles for social and environmental management of projects; (ii) procedures to screen and process projects for significant social and environmental impacts, and to assist in mitigating impacts; (iii) procedures to ensure that these principles and procedures are properly applied; and (iv) guidelines for capacity building and monitoring.
6. “Existing Pension System” means the Recipient’s pension system managed by MoLSAMD operating under the Pension Rules and the Martyrs and Disabled Pension Regulations.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.
8. “GMU” means the Grant Management Unit of MoLSAMD that is responsible for the administrative management of all MoLSAMD implemented donor-funded projects.

9. "IARCSC" means the Recipient's Independent Administrative Reform and Civil Service Commission established and operating under the Civil Service Law, No. 861 dated September 11, 2005.
10. "Incremental Operating Costs" means the reasonable costs for vehicle rentals, transportation, office rental and maintenance, utilities, telecommunications and other incidental costs, office equipment and consumable supplies, bank charges and advertising costs necessary for the implementation of the Project, which costs would not have been incurred absent the Project, but excluding salaries of officials of the Recipients civil service.
11. "Martyrs and Disabled Pension Regulations" means the Recipient's regulations governing pension for martyrs and the disabled dated October 3, 1999.
12. "MoF" means the Recipient's Ministry of Finance or any successor thereto.
13. "MoLSAMD" means the Recipient's Ministry of Labor, Social Welfare, Martyrs & Disabled or any successor thereto.
14. "MoWA" means the Recipient's Ministry of Woman's Affairs or any successor thereto.
15. "MRRD" means the Recipient's Ministry of Rehabilitation and Rural Development or any successor thereto.
16. "PCU" and Project Coordination Unit mean the unit established by the Recipient within MoLSAMD through Ministerial Ordinance No. 2304 dated August 10, 2009, for purposes of implementation of the Project.
17. "Part" means a Part of the Project as described in Schedule 1 to this Agreement.
18. "Pension Department" means the department of MoLSAMD responsible for the service delivery of the Recipient's public sector retirement pension program, or any successor thereto.
19. "Pension Rules" mean the Rules of the Afghanistan Pension Scheme dated June 23, 2000.
20. "Pensions Technical Working Group" means the technical working group that specializes in pension system issues, established by the Recipient through Presidential Decree No. 1937, dated May 26, 2009.
21. "Pilot Benefits" means the cash or in-kind safety net benefits to be provided to eligible Beneficiaries under Part 2(a)(ii) of the Project in accordance with the Pilot Safety Net Program Plan and pursuant to Section I.B of Schedule 2 to this Agreement.

22. “Pilot Safety Net Program Plan” means the plan for the piloting of the pilot safety net program and the payment of Pilot Benefits under Part 2 of the Project, to be developed by the PCU in form and substance acceptable to the Association, and approved by the Steering Committee.
23. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on March 25, 2009, and on behalf of the Recipient on April 9, 2009.
24. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated August 17, 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.
26. “Project Implementation Plan” means the implementation plan to be adopted and maintained by the Recipient through MoLSAMD for the carrying out of the Project, pursuant to Section I.A(2) of Schedule 2 to this Agreement.
27. “Safety Net Technical Working Group” means the technical working group that specializes in safety net issues, established by the Recipient through Presidential Decree No. 1937, dated May 26, 2009.
28. “SDU” means the special disbursement unit established within the Treasury Department of MoF for purposes of handling withdrawal applications and disbursement of externally financed development aid projects.
29. “Steering Committee” means the committee referred to in Section I.A(1)(a) of Schedule 2 to this Agreement, established by the Recipient through Presidential Decree No. 1937, dated May 26, 2009.
30. “Technical Working Groups” means the Safety Net Technical Working Group and the Pensions Technical Working Group.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:  
  
“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Grant of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”