

CONFORMED COPY

GRANT NUMBER H344 - AF

Financing Agreement

(National Emergency Rural Access Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 10, 2008

GRANT NUMBER H344 - AF

FINANCING AGREEMENT

AGREEMENT dated March 10, 2008, 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 seventy one million four hundred thousand Special Drawing Rights (SDR 71,400,000) (the “Grant”) 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 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 Part A and part of Part C of the Project through MPW and Part B and part of Part C of the Project through MRRD, 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 MPW and MRRD, shall have entered into contracts satisfactory to the Association for the engagement of the Implementation Consultant.
- 4.02. The Effectiveness Deadline is the date one hundred and twenty (120) 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 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/ Anwar-ul Haq Ahady
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Paul Edwin Sisk
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in enabling the population living in its rural areas, to benefit from year-round access to basic services and facilities, through the rehabilitation and maintenance of rural access infrastructure under the Recipient's National Rural Access Program.

The Project consists of the following parts:

Part A: Improvement of Secondary Roads

1. Carrying out Road Works for the rehabilitation and reconstruction of about 1075 kilometers of selected secondary rural roads.
2. Carrying out emergency repair work of roads and bridges following natural disasters.
3. Management, monitoring and evaluation of the implementation of the Environmental and Social Management Framework.
4. Strengthening the capacity of MPW to coordinate and manage the implementation of Part A of the Project, including provision of consultants' services and payment of operating costs.

Part B: Improvement of Tertiary Roads

1. Carrying out Road Works for the rehabilitation and reconstruction of about 925 kilometers of selected tertiary rural roads.
2. Carrying out emergency repair work of roads and bridges following natural disasters.
3. Carrying out a program for the routine maintenance of roads already rehabilitated under NEEP 1 and NEEPRA through the provision of Routine Maintenance Grants to local communities through their CDCs.
4. Management, monitoring and evaluation of the implementation of the Environmental and Social Management Framework.
5. Strengthening the capacity of MRRD to coordinate and manage the implementation of Part B of the Project, including provision of consultants' services and payment of operating costs.

Part C: Institutional Strengthening, Project Management and Program Development

1. Development of a rural roads management system including: (i) formulation and implementation of a rural access strategy; (ii) establishing a maintenance mechanism and maintenance program for the short and medium term, and supporting its first year of implementation.
2. Strengthening the capacity of: (a) key staff of MRRD and MPW charged with managing the rural roads sector in, *inter alia*, road network management, public procurement, financial management, engineering skills, english and computer literacy skills, reporting and geographic information systems; and (b) national works contractors and engineering firms involved in implementing the Project in, *inter alia*, procurement and contract management, all through the provision of technical advisory services and formal and on-the-job training.
3. Provision of support to the entities charged with implementing the Project, including management support and operating costs of NCU, supporting monitoring and evaluation activities, audits, safeguards and fiduciary support services of MPW and MRRD, and provision of reporting and technical support to the Steering Committee.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall:
 - (a) maintain throughout Project implementation, the Steering Committee, whose mandate, composition and terms of reference shall be acceptable to the Association, to be responsible for providing overall policy guidance, strategic planning and Project oversight and for integration with other rural development programs of the Recipient. In carrying out its functions, the Steering Committee shall be assisted by NCU, which will, in addition to its other functions, serve as a secretariat for the Steering Committee;
 - (b) establish and maintain throughout Project implementation, the National Coordination Unit within Ministry of Finance, whose mandate, staffing and terms of reference shall be acceptable to the Association, to be responsible for, *inter alia*: (i) coordinating the activities and funding provided by various donors for NRAP; (ii) coordinating the activities of the PIUs and other relevant line ministries and agencies involved in NRAP; (iii) monitoring and evaluating overall Project implementation and preparing consolidated quarterly progress reports for submission to the Steering Committee; (iv) ensuring steady progress of Project execution in accordance with an implementation schedule reviewed and approved by the Association; (v) serving as the secretariat of the Steering Committee; and (vi) monitoring the fulfillment of contract obligations by the Implementation Consultant and the Capacity Building Consultant to ensure adequate and smooth transfer of skills to national staff; and
 - (c) establish and maintain throughout Project implementation a working group chaired by NCU and composed of representatives of MPW, MRRD and other line ministries and agencies involved in rural development, as well as the Implementation Consultant and the Capacity Building Consultant, to ensure coordination and communication among all line ministries, agencies and consultants involved with the Project on the technical aspects of Project implementation.
2. The Recipient shall vest in MPW, responsibility for the implementation of Part A and part of Part C of the Project as it relates to capacity building in MPW. In carrying out its functions under the Project, MPW shall be assisted by the MPW

PIU, and, primarily with respect to civil works aspects of Part A, the Implementation Consultant.

3. The Recipient shall vest in MRRD, responsibility for the implementation of Part B and part of Part C of the Project as it relates to capacity building in MRRD. In carrying out its functions under the Project, MRRD shall be assisted by the MRRD PIU, and, primarily with respect to civil works aspects of Part B, the Implementation Consultant.
4.
 - (a) The Recipient shall maintain throughout the implementation of the Project, the MRRD PIU and the MPW PIU with terms of reference, staffing and other resources appropriate for the carrying out of their functions under the Project.
 - (b) With respect to their respective Parts of the Project, the MRRD PIU and the MPW PIU shall be responsible for: (i) identification, prioritization and selection of Road Works, and in the case of the MRRD PIU, Routine Maintenance Grant activities; (ii) coordinating and supervising the implementation of Road Works, and in the case of the MRRD PIU, Routine Maintenance Grant activities including management of relations with Facilitating Partners; (iii) reviewing and preparing designs, cost-estimates and bills of quantities; (iv) overseeing and managing the procurement process; (v) technical and financial monitoring of contracts; (vi) monitoring and evaluation of their respective Parts of the Project; (vii) environmental and social safeguard screening of Road Works and Routine Maintenance Grant activities, overseeing the implementation of the ESMF, and overseeing the preparation of an EMP for each large or medium scale impact Road Work or Routine Maintenance Grant activity; (viii) supervising the work of the IC; (ix) financial management; (x) liaising with NCU on the implementation of their respective Parts of the Project; and (xi) preparation of reports for submission to the Association.
 - (c) The MPW PIU will be supported by the IC in the carrying out of key financial management and procurement functions for its respective Parts of the Project, while the MRRD PIU will be supported by the IC in carrying out civil works under Part B of the Project.

B. Project Implementation Manual

1. The Recipient shall no later than May 1, 2008, adopt and thereafter implement the Project in accordance with the Project Implementation Manual, which includes a financial management sub-manual and a procurement sub-manual. The Project Implementation Manual shall set out the guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation of the Project, including: (i) implementation arrangements, along

with the criteria, and terms and conditions, for the selection of Road Works and Routine Maintenance Grant activities to be carried out under the Project; (ii) reporting requirements; (iii) monitoring and evaluation procedures; (iv) financial management and disbursement guidelines and procedures; (v) audit procedures; and (vi) procurement procedures.

2. Except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

C. Road Works

1. The Recipient shall ensure that:
 - (i) for Road Works under Parts A(1) and B(1) of the Project, only those that have been identified by the Recipient in accordance with criteria agreed upon by the Recipient and the Association and are listed in the Project Implementation Manual shall be carried out under the Project. Any Road Works that are not listed in the Project Implementation Manual but fulfill the criteria agreed upon by the Recipient and the Association in the Project Implementation Manual, shall be approved by the Association before being financed under the Project; and
 - (ii) if a Road Work under Parts A(1) and B(1) has been assessed by the relevant PIU in accordance with the ESMF to have potential large or medium scale environmental and social impacts, the relevant PIU shall prepare an Environmental Management Plan acceptable to the Association before the Road Work can be financed.
2. Road Works for emergency repair under Parts A(2) and B(2) of the Project shall be eligible for financing under the Project if they meet the following eligibility criteria as approved by the Association:
 - (i) the event triggering the need for emergency repair Road Works is a natural disaster such as heavy snow, rock falls, landslides, rock blockages, heavy rains or flooding, or is a manmade disaster triggering the emergency need and is approved as such by the Recipient and the Association;
 - (ii) the Road Works are aimed at re-opening roads to link isolated areas; and

- (iii) the event triggering the need for emergency repair Road Works has caused blockages of heavy traffic roads without the possibility of road deviations.

3. The Recipient shall:

- (i) ensure that MRRD and MPW carry out each Road Work with due diligence and efficiency and in accordance with sound administrative, financial, technical and managerial standards, and maintain adequate records for the Road Work concerned;
- (ii) ensure that all goods, works, and services required for each Road Work shall be procured in accordance with the provisions of Section III of Schedule 2 to this Agreement;
- (iii) ensure that each Road Work complies with the environmental and social standards set forth in the Environmental and Social Management Framework (including the relevant Environmental Management Plan, where such is required pursuant to the terms of the Environmental and Social Management Framework); and
- (iv) ensure that: (a) all Road Works be carried out on already existing roads and bridges; (b) any land that may be required for the Road Work be made available on a voluntary basis from the community or from available government land; and (c) the proceeds of the Grant shall not be used for the purchase of land except with the prior agreement of the Association and in accordance with the Guidelines for Land and Asset Acquisition, Entitlements and Compensation.

4. The Recipient shall ensure that all Road Works be implemented in accordance with the Mine Risk-Management Procedures.

D. Routine Maintenance Grants under Part B(3) of the Project

- 1. (a) MRRD shall work with Facilitating Partners, identified in accordance with the provisions of the Project Implementation Manual, to assist CDCs in the implementation of Routine Maintenance Grant activities, including providing procurement support, construction quality assurance and control, monitoring and evaluation, and reporting.
- (b) The MRRD PIU shall, in accordance with the criteria set out in the Project Implementation Manual, identify roads to be maintained with the support of financing from Routine Maintenance Grants.

- (c) The MRRD PIU shall identify CDCs that fully satisfy the eligibility criteria specified in the Project Implementation Manual, to be responsible for implementing the identified Routine Maintenance Grant activities under the facilitation and technical guidance of Facilitating Partners. Several CDCs may combine together to carry out such maintenance activities of common interest and benefit by pooling together their Routine Maintenance Grant entitlements.
 - (d) The MRRD PIU shall, when evaluating each potential CDC's eligibility to carry out Routine Maintenance Grant activities, determine, *inter alia*, whether the CDC or CDCs, with the support of Facilitating Partners, have capacity to carry out, manage and maintain the road(s) in conformity with appropriate administrative, financial, technical, environmental and managerial standards.
 - (e) If an activity to be financed by a Routine Maintenance Grant has been assessed to have potential large or medium scale environmental or social impacts, an Environmental Management Plan shall be prepared by the relevant Facilitating Partner and CDC before the Routine Maintenance Grant can be awarded to the relevant CDC or CDCs.
2. The Recipient, through MRRD, shall make part of the proceeds of the Grant available, as Routine Maintenance Grants, to CDCs under agreements, each to be entered into by a representative of the CDC or CDCs and the Recipient, with terms and conditions set out in the Project Implementation Manual. Each such agreement shall, *inter alia*:
- (i) require the CDC to carry out the activity financed by the Routine Maintenance Grant with due diligence and efficiency and in accordance with sound administrative, financial, technical and managerial standards, and maintain adequate records for the work concerned;
 - (ii) require that all goods, works, and services required for the activity financed by the Routine Maintenance Grant be procured in accordance with the provisions of Section III of Schedule 2 to this Agreement;
 - (iii) require that all goods, works, and services be used exclusively in the carrying out of the activity approved to be financed by the Routine Maintenance Grant;
 - (iv) require that the Routine Maintenance Grant not finance or support the cultivation of poppy;

- (v) permit the Recipient to inspect, by itself or jointly with representatives of the Association if the Association shall so request, any goods, works, plants and construction included in the activity financed by the Routine Maintenance Grant, the operation thereof, and any relevant records and documents;
- (vi) require that the activities financed by the Routine Maintenance Grant comply with the environmental and social standards set forth in the Environmental and Social Management Framework; and
- (viii) suspend or terminate the right of the CDC to the use of the proceeds of the Routine Maintenance Grant upon the failure by the CDC to perform any of its obligations under the legal agreement.

E. Safeguards

1. The Recipient shall carry out the Project in accordance with the Environmental and Social Management Framework which sets out the general environmental and social policies, guidelines, codes of practice and procedures agreed with the Association for the carrying out of the Project, which framework includes: (i) key principles for social and environmental management of activities under the Project including resettlement, cultural property and natural habitats; (ii) procedures to screen and process Road Works and Routine Maintenance Grant proposals for activities to be implemented under the Project for significant social and environmental impacts, and to assist in mitigating such impacts; (iii) procedures to ensure that these principles and procedures are properly applied; (iv) guidelines for capacity building and monitoring; and (v) mine risk-management measures and procedures.
2. The Recipient shall ensure that activities under Parts A and B of the Project will be implemented in accordance with the Mine Risk-Management Procedures.
3. 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.
4. The Recipient shall, throughout the implementation of the Project, maintain within the MRRD PIU and the MPW PIU, focal points for the management and oversight of environmental and social safeguard issues under their respective Parts of the Project.

F. 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 (1) 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. Notwithstanding paragraph A.1 of this Section II, the Recipient, shall prepare, under terms of reference satisfactory to the Association, and, no later than June 30, 2009, furnish to the Association for review and comment, a mid-term review report integrating results of the monitoring and evaluation activities performed under the Project including those performed under paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.
3. 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 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 (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project

Preparation Advance was made. 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 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:

Procurement Method	
(a)	National Competitive Bidding*
(b)	Direct Contracting
(c)	Shopping
(d)	Community Participation**

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

- (i) Standard bidding documents approved by the Association shall be used.
- (ii) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
- (iii) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
- (iv) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
- (v) Foreign bidders shall not be precluded from bidding.
- (vi) Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall 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 shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form shall apply only to a specific bid.
- (ix) Bids shall be opened in public in one (1) place preferably immediately, but no later than one (1) hour, after the deadline for submission of bids.
- (x) Evaluation of bids shall 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 shall 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 shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which:
(A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and

qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association.

- (xiii) Contracts shall 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 shall not be allowed without the prior concurrence of the Association: (A) for the first request for extension if it is longer than eight (8) weeks; and (B) for all subsequent requests for extensions irrespective of the period.
- (xv) Negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (xvi) Re-bidding shall not be carried out without the Association's prior concurrence.
- (xvii) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

****Community Participation** shall be carried out in accordance with paragraph 3.17 of the Procurement Guidelines and the procedures set out in the Project Implementation Manual.

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.

Procurement Method	
(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

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 procured on the basis of 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:

Category	Amount of the Grant Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Goods, works, consultants' services, training, Routine Maintenance Grants and Incremental Operating Costs* for the Project	71,075,000	100%
(2) Refund of Project Preparation Advance	325,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	71,400,000	

*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, and incremental salaries of MRRD and MPW staff on account of Project implementation.

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 11,470,000 equivalent may be made for payments made prior to this date but on or after July 1, 2007, for Eligible Expenditures.
2. The Closing Date is December 31, 2010.

Section V. Other Undertakings

1. The Recipient shall, no later than December 31, 2007, establish the National Coordination Unit and appoint a Project administrator with skills, qualifications, experience and terms of reference satisfactory to the Association.
2. The Recipient shall, no later than June 30, 2008, establish a fully functioning management information system for the Project.

3. The Recipient, through MPW and MRRD, shall no later than June 30, 2008, enter into a contract satisfactory to the Association for the engagement of the Capacity Building Consultant.

APPENDIX

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. “Capacity Building Consultant” means a firm or other entity to be hired by the Recipient through MPW and MRRD in accordance with Section III of Schedule 2 to this Agreement, to assist in the implementation of capacity building activities under the Project.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Community Development Council” or “CDC” means a community-based decision making body that includes a chairperson, vice-chairperson, secretary, and treasurer, and is responsible for, *inter alia*, preparing proposals for, and implementing works financed by, Routine Maintenance Grants.
5. “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.
6. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework document for environment and social management dated July 2007, acceptable to the Association, as such Environmental and Social Management Framework may be amended from time to time by agreement between the Recipient and the Association. Reference to the ESMF shall include any annexes or schedules thereto including the Social Inclusion Framework, Environmental Management Plan, Environmental Mitigation Measures, Guidelines for Land and Asset Acquisition, Entitlements and Compensation and Mine Risk-Management Procedures.
7. “Environmental Mitigation Measures” means the standard measures contained in the ESMF to guide the PIUs and contractors involved in implementing Road Works or Routine Maintenance Grant activities in mitigating possible environmental impacts that have been determined by a PIU to be small in scale.
8. “EMP” or “Environmental Management Plan” means a plan acceptable to the Association to be prepared by a PIU for each Road Work for which it is responsible, for the mitigation of any negative impacts on the environment that have been determined by the PIU to be large or medium in scale, in accordance with the Environmental and Social Management Framework.

9. “Facilitating Partners” means international and/or national non-governmental organizations and agencies that shall assist the Recipient in carrying out Routine Maintenance Grant activities under Part B(3) of the Project.
10. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
11. “Guidelines for Land and Asset Acquisition, Entitlements and Compensation” means the guidelines set out in the ESMF for the voluntary donation or compensated contribution of land for Road Works.
12. “Implementation Consultant” or “IC” means a firm or other entity to be hired by the Recipient through MPW and MRRD in accordance with Section III of Schedule 2 to this Agreement, to assist in implementing civil works activities under the Project as well as financial management and procurement functions.
13. “Mine Risk-Management Procedures” means the Procedures for Mine Risk Management set out in the ESMF, a framework document that prescribes various measures and procedures to be followed for carrying out activities under the Project that could involve, or could potentially involve, exposure or contact with mines.
14. “MPW” means the Recipient’s Ministry of Public Works or any successor thereto.
15. “MPW PIU” means the Program Implementation Unit established and operating within MPW in accordance with the laws and regulations of the Recipient, for purposes of implementing Part A and part of Part C of the Project.
16. “MRRD” means the Recipient’s Ministry of Rural Rehabilitation and Development or any successor thereto.
17. “MRRD PIU” means the Program Implementation Unit established and operating within MRRD in accordance with the laws and regulations of the Recipient, for purposes of implementing Parts B and part of Part C of the Project.
18. “National Coordination Unit” or “NCU” means the unit to be established by the Recipient in accordance with its laws to be responsible for the overall coordination of activities under the Project.
19. “NEEP 1” means the National Emergency Employment Program – Phase I (TF050973) financed by the Afghanistan Reconstruction Trust Fund through a Grant Agreement between the Recipient and the Association dated March 14, 2003.

20. “NEEPRA” means the National Emergency Employment Program For Rural Access Project (Credit Number 3799, Grant Number H054) financed by IDA through a Development Financing Agreement between the Recipient and the Association dated June 30, 2003.
21. “NGO” means a non-governmental organization operating pursuant to the laws of the Recipient.
22. “NRAP” or the “Program” means the National Rural Access Program of the Recipient adopted through Budget Decree 1385 dated May 3, 2006, which has as its aim the creation of infrastructure for the improvement of access of rural people to economic and social opportunities, healthcare services and education facilities, which program is financed in part under the Project.
23. “Part” means a Part of the Project as described in Schedule 1 to this Agreement.
24. “PIU” or “PIUs” means collectively the MRRD PIU and the MPW PIU.
25. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October 2006.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 8, 2007, 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.
27. “Project Implementation Manual” means the Recipient’s Project implementation manual to be prepared and adopted by the Recipient in form and substance acceptable to the Association, which includes a financial management sub-manual and a procurement sub-manual, as such Project Implementation Manual may be amended from time to time by agreement between the Recipient and the Association.
28. “Project 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 December 27, 2006, and on behalf of the Recipient on January 8, 2007.
29. “Road Work” means a road rehabilitation, reconstruction or repair scheme to be carried out by MRRD or MPW under Parts A(1) and (2) and Parts B(1) and (2) of the Project, which meets the eligibility criteria set out in the Project Implementation Manual.

30. “Routine Maintenance Grants” means grants made available by the Recipient to CDCs to finance the cost of goods, works, and services for road maintenance under Part B(3) of the Project.
31. “Social Inclusion Framework” means the Recipient’s framework document set out in the ESMF that prescribes various measures and procedures to be followed for the mitigation of negative social impacts that may result from the implementation of the Project, and the enhancement of community participation under the Project.
32. “Steering Committee” means the inter-ministerial Steering Committee of the Recipient established for the Project in accordance with the laws and regulations of the Recipient and the provisions of this Agreement.