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**IDA GRANT NUMBER H209-AF**

# **Financing Agreement**

**(Additional Financing for Emergency National Solidarity Project)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 24, 2006**

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**IDA GRANT NUMBER H209-AF**

**FINANCING AGREEMENT**

AGREEMENT dated April 24, 2006, entered into between ISLAMIC REPUBLIC OF AFGHANISTAN (“the Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“the Association”) for the purpose of providing additional financing for the Original Project (as 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 the Financing 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 twenty seven million seven hundred thousand Special Drawing Rights (SDR 27,700,000) (“the Grant”) to assist in financing the Original 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 June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollars.

**ARTICLE III – PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Original Project. To this end, the Recipient shall carry out the Original Project 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 financed out of the proceeds of the Grant is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV – EFFECTIVENESS**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE V – REPRESENTATIVE; ADDRESSES**

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

- 5.02. The Recipient's Address is:

Ministry of Finance  
Islamic Republic of Afghanistan  
Kabul,  
Afghanistan

- 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) or 64145 (MCI)	1-202-477-6391

AGREED at the District of Columbia, United States of America, 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/ Alastair J. McKechnie

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to strengthen community level governance in Afghanistan and to assist in reconstruction and development of rural communities by supporting certain components of the Recipient's National Solidarity Program.

The Project consists of the Original Project subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

Schedule 4 to the Original Financing Agreement is incorporated in this Agreement.

#### **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 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month 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 un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Borrower 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. 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 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 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 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><u>Procurement Method</u></b>
(a) Shopping
(b) Direct Contracting
(c) Community Participation

**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) Selection Based on Consultants' Qualifications
(b) Single Source Selection
(c) Individual Consultants
(d) Quality Based Selection

**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) the first three (3) contracts for goods awarded on the basis of Shopping; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (d) each contract for consultants' services provided by individual consultants 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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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</b>
(1) Block Grants	16,900,000	100%
(2) Goods	350,000	100%
(3) Consultants' services including audits for Parts A, B and C of the Project, and training	10,370,000	100%
(4) Consultants' services including audit for Part D of the Project	-	100%
(5) Incremental operating costs	80,000	100%
<b>TOTAL AMOUNT</b>	<b>27,700,000</b>	

**B. Withdrawal Period.**

The Closing Date is March 31, 2007.

## **APPENDIX**

### **Definitions**

Unless otherwise defined here, all definitions set out in Section 1.02 of the Original Financing Agreement are incorporated in this Agreement.

1. “Category” means a category set forth in the table in Section IV of Schedule 4 to the Original Financing Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “Original Financing Agreement” means the development grant agreement for an Emergency National Solidarity Project between the Recipient and the Association, dated January 20, 2004, as amended to the date of this Agreement (Grant No H072-AF).
5. “Original Project” means the Project described in the Original Financing Agreement.
6. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.