

Public Disclosure Authorized

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**CONFORMED COPY**

**GRANT NUMBER H568-AF**

# **Financing Agreement**

**(Second Customs Reform and Trade Facilitation Project)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

Public Disclosure Authorized

**Dated June 28, 2010**

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**GRANT NUMBER H568-AF**

**FINANCING AGREEMENT**

AGREEMENT dated June 28, 2010, entered into between ISLAMIC REPUBLIC OF AFGHANISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“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 thirty three million three hundred thousand Special Drawing Rights (SDR 33,300,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing 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 January 1 and July 1 in each year.
- 2.05. The Payment Currency is United States Dollar.

**ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through ACD assisted by the Project Implementing Consultant in accordance with the provisions of Article IV of the General Conditions.

- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

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

Ministry of Finance  
Pashtunistan Watt  
Kabul, 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/ Nicholas J. Krafft

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Recipient to improve the release of legitimate goods in a fair and efficient manner.

The Project consists of the following parts:

#### **Part A: Countrywide Computerization of Customs Clearance Operations**

1. Carrying out of rollout plans for the gradual installation and implementation of ASYCUDA++ to cover the ACD regional offices, border posts and inland and international transit routes listed in Annex 1 to this Schedule, and launching of the parallel upgrade of ASYCUDA++ to ASYCUDA World.
2. Implementation of an automation plan for ACD's support functions in order to reduce file movement delays, improve inventory management and enhance transparency in procurement.
3. Establishment of a professional unit within ACD to manage, sustain and develop the deployment of ASYCUDA++ and ASYCUDA World, as well as other automated systems and processes, and explore information technology solutions, including cargo-tracking and the expansion and utilization of redundant satellite connectivity.

#### **Part B: Executive Information Systems**

Development and installation of a business analytics and reporting software, and associated hardware, for ACD and MOF in order to enable ACD's real-time monitoring of customs revenue collection/transactions, office operations and cargo dwelling time, and define alert notices.

#### **Part C: Options for Customs-to-Customs Cooperation**

Developing a plan for the sequential adoption and operation of a cross-border customs cooperation regime.

#### **Part D: Customs infrastructure**

1. Upgrading the physical infrastructure of ACD's inland clearance depots in the cities of Jalalabad, Kabul, Khost, Nimroz and Andkhoi, as well as ACD's border post in Torkhan and Aquina, including, *inter alia*, site clearance and leveling, improvement of access and internal roads, construction/ improvement of truck parking area and warehouses within the existing walled facilities, provision

and/or installation of cargo handling equipment and weighbridges, improvement of outer security perimeters and fencing, construction of office block and peripheral facilities, provision of power connection, water supply and drainage installations, and designing and implementation of operations and maintenance plans thereof.

2. Carrying out feasibility studies for multi-modal container freight station near to Jalalabad industrial park.

### **Part E: Regulatory, Administrative and Institutional Framework for Customs**

Technical assistance to support the development of an adequate regulatory, administrative and institutional framework for Customs, such assistance to consist of, *inter alia*:

- (a) reviewing, harmonizing and updating the existing custom's legislative and regulatory regimes; identifying ancillary value-adding activities that can be enhanced/developed and preparing a legislative and regulatory reform package to foster them; reengineering clearance processes and human resource management, as well as rectifying ASYCUDA++/ASYCUDA World implementation problems and updating Customs role in collaborative border management.
- (b) coordinating training for ACD's personnel, awareness-raising campaigns on customs' competencies and activities, and inter-agency cooperation within the Recipient to improve service performance;
- (c) strengthening the chains of reporting and command within ACD, alleviating external interference with customs management and mandating the use of the computerized clearance data base which provides administrative and operational alerts as a mechanism to fight corruption and prevent rent-seeking/unprofessional practices;
- (d) developing and implementing computerized data exchange practices in coordination with other government agencies and neighboring customs administrations based on mutual agreements, including identification, standardization and utilization protocols for the information exchanged, ancillary cooperation mechanisms and the integration of business processes;
- (e) strengthening the institutional capacity of CURE in order to: (A) effectively manage and coordinate donor funding and partnerships with donors; (B) monitoring GAAP activities, milestones and benchmarks; (C) monitoring the implementation of various reform projects in ACD; and (D) update ACD's Five Year Plan (2007-2012);

- (f) establish an international customs unit in charge of coordinating negotiations of international treaties, and/or liaising/cooperating with international counterparts/organizations;
- (g) developing the institutional capacity of the Post-Clearance Audit Unit in order to enhance its administrative independence and adopt a risk management system for an optimal implementation of post-clearance customs audits; and
- (h) strengthening the institutional capacity of TRSU in order to employ modern statistical methods for the processing and analysis of trade data, performance indicators, and customized alerts and information exchanged with other administrations by interlinking with ASYCUDA systems.



**ANNEX  
TO  
SCHEDULE 1**

**ACD's Regional Offices, Boarder Posts and Inland and  
International Transit Routes**

For purposes of implementing Part A(1) of the Project the Recipient has identified the following ACD regional offices, border posts and inland and international transit routes as priorities for initial actions:

(A) Regional Offices in:

1. Kandahar
2. Zaranj/Nimroz
3. Andkhoy
4. Khost
5. Kabul Parcel Post

(B) Border Posts in:

1. Torkham
2. Islamqilla
3. Hairatan
4. Sherkhan Bandar
5. Vesh
6. Towrghundi

(C) Inland and International Transit Routes in:

1. Spinboldak/Vesh-Kandahar-Kabul
2. Zaranj/Nimroz-Kandahar-Kabul
3. Aquina-Andkhoy-Mazar-Kabul
4. Takhar-Kunduz-Kabul
5. Ghulam Khan/Babaraktown-Khost-Kabul
6. Millak-Herat/Kandahar-Kabul
7. Eshkashim-Mazar-Kabul
8. Kabul Airport-Kabul Inland Customs

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall vest the overall responsibility for Project implementation in ACD. Without prejudice to the foregoing, the Recipient shall:
  - (a) establish, by no later than July 30, 2010, and thereafter maintain, throughout the period of implementation of the Project, a Project Steering Committee headed by the Minister of Finance, and comprised of the Director General of ACD, the Director Technical of ACD, Director Planning & Reforms of ACD and the four Deputy Ministers of Finance, which steering committee shall be vested with such functions, powers, resources and competencies, satisfactory to the Association, as shall be required for purposes of providing overall policy guidance, and ensuring inter-agency cooperation and general oversight of Project implementation, including approving the Annual Work Plans, and ensuring compliance with the legal covenants set out in this Agreement; and
  - (b) establish, by no later than July 30, 2010, and thereafter maintain, throughout the period of implementation of the Project, a Budget Committee, chaired by the Director General of ACD, and comprised of the representatives of MOF and the Project Implementing Consultant as detailed in the Financial Management Manual, which committee shall be vested with such functions, powers, resources and competencies, satisfactory to the Association, as shall be required for purposes of overseeing the overall budgeting process for the Project, including quarterly reviews of incurred and forecasted expenditures, preparation of Annual Work Plans for approval by the PSC, and compliance with governmental budgeting principles, policies and procedures.
2. To facilitate the carrying out of the Project, the Recipient shall:
  - (a) by no later than June 30, 2010, enter into a Management Service Agreement with the Project Implementing Consultant under terms of reference acceptable to the Association, for purposes of assisting ACD with the fiduciary aspects of the Project and its day-to-day implementation, including: (i) preparation of procurement documents (and any subsequent changes/variations thereto); (ii) assistance in the preparation of the Annual Work Plans; (iii) evaluation of technical and

financial proposals; (iv) development of terms of reference for, and negotiation of inter-agency arrangements with, UNCTAD and UNIDO to implement Parts A, D and E of the Project; (v) handling of procurement disputes; (vi) certification of performance/delivery of contractual obligations and quality control thereof; (vii) maintenance of computerized systems and accounting records regarding Project expenditures, and oversight of payments to service providers and/or Project contractors; and (viii) enforcement, monitoring and evaluation of compliance with the Environmental and Social Safeguards Management Framework and, where applicable, the Environmental and Social Management Plan and Resettlement Action Plan;

- (b) exercise its rights under the Management Service Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing; and
- (c) refrain from amending, waiving, terminating, suspending and/or abrogating, whether in whole or in part, the Management Service Agreement, if in the opinion of the Association, such amendment, waiver, termination, suspension and/or abrogation might materially or adversely compromise the successful implementation of the Project, or the achievement of its development objectives.

## **B. Project Manuals and Work Plans**

### 1. The Recipient shall:

- (a) with the assistance of the Project Implementing Consultant, prepare and adopt, by no later than May 30, 2010, a Financial Management Manual, in form and substance satisfactory to the Association, setting out, *inter alia*: (i) the policies and procedures for fund and asset management, procedures for the preparation of withdrawal applications and for the settlement of payments, accounting, maintenance of records, reporting regimes, security protocols and compliance with auditing requirements; (ii) the terms of reference and composition of the Budget Committee; and (iii) the roles and responsibilities of the Project Implementing Consultant and ACD's financial management staff, as well as any recruitment needs and applicable deadlines;
- (b) ensure that the Project shall be carried out in accordance with the Financial Management Manual; and
- (c) refrain from amending, waiving, terminating, suspending and/or abrogating, whether in whole or in part, the Financial Management Manual, if in the opinion of the Association, such amendment, waiver,

termination, suspension and/or abrogation might materially or adversely compromise the successful implementation of the Project, or the achievement of its development objectives.

2. The Recipient shall:

- (a) cause the Budget Committee to prepare and furnish to the Association, by no later than December 20<sup>th</sup> of each year, commencing on December 20, 2010, a detailed Annual Work Plan, in a form and substance satisfactory to the Association, setting out the time-bound program of Project activities for the Recipient's following fiscal year, including: (i) a forecast of the funds required for Project implementation, with breakdown by expected financing sources; (ii) an update of the Project's disbursement profile; and (iii) the Project indicators to be achieved during the fiscal year covered by the plan; and
- (b) thereafter, carry out the Project activities for the corresponding fiscal year as so provided in the Annual Work Plan discussed and agreed with the Association.

**C. Anti-Corruption**

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

**D. Safeguards**

1. Before commencing any civil works, the Recipient shall:

- (a) carry out an environmental screening of the proposed construction activities in accordance with the Environmental and Social Safeguards Management Framework and, if necessary, on the basis of such screening, prepare a full Social and Environmental Impact Assessment, on terms and in substance satisfactory to the Association, in order to determine measures to be taken to prevent, minimize, mitigate or compensate any environmentally or socially adverse effects;
- (b) in the event that any civil works shall require mitigation measures pursuant to sub-paragraph (a) above, prepare a Environmental and Social Management Plan, on terms and in substance satisfactory to the Association, and in accordance with sound environmental practices and standards; and

- (c) thereafter, implement such works pursuant to the applicable Social and Environmental Management Plan, in a manner acceptable to the Association.
2. The Recipient shall ensure that no activities involving land takings or giving rise to Displaced Persons shall be carried out under the Project. To this end, before commencing any civil works, the Recipient undertakes to furnish the Association with documentation, acceptable to the Association, evidencing that:
    - (a) the allocated tract(s) of land is/are public land, free of encroachments, squatters or other encumbrances; and
    - (b) the title(s) of such tract(s) has/ve been duly transferred to the relevant authorities.
  3. Notwithstanding the provisions of paragraph 2 above, in the event that any land taking, or involuntary loss by persons of shelter, productive assets or access to productive assets, or income or means of livelihood, whether temporarily or permanently, be required under the Project, the Recipient shall:
    - (a) prior to commencing any such activity, prepare a Resettlement Action Plan, in terms and substance satisfactory to the Association, in accordance with the policies and procedures set forth in the Environmental and Social Safeguards Management Framework; and
    - (b) thereafter, implement such activity pursuant to the said Resettlement Action Plan, in a manner acceptable to the Association.
  4. The Recipient undertakes to refrain from amending, waiving, terminating, suspending and/or abrogating, whether in whole or in part, the Environmental and Social Safeguards Management Framework or, as the case may be, the Environmental and Social Management Plan and/or the Resettlement Action Plan, if in the opinion of the Association, such amendment, waiver, termination, suspension and/or abrogation might materially or adversely compromise the successful implementation of the Project, or the achievement of its development objectives.

## **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) fiscal year, 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 four (4) 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. 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 was made under. 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 Financing 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 Financing 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 methods 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 <i>(subject to the additional procedures detailed in the Annex to this Schedule)</i>
(b)	Direct Contracting
(c)	Shopping

**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' Qualification
(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 or works or non-consulting services procured on the basis of International Competitive Bidding or Direct Contracting; (b) each contract for goods or works procured on the basis of National Competitive Bidding estimated to cost the equivalent of USD200,000 or more; (c) each contract for consultants' services provided by a firm and awarded on the basis of Single Source Selection; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of USD100,000 or more; and (e) each contract for consultants' services provided by an individual consultant estimated to cost the equivalent of USD50,000 or more. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing****A. General**

1. The Recipient may withdraw the proceeds of the Financing 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 Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works and consultants' services, Training and Incremental Operating Costs for the Project	33,300,000	100%
<b>TOTAL AMOUNT</b>	<b>33,300,000</b>	



**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 the equivalent of two million eight hundred sixty thousand United States Dollars (USD2,860,000) may be made for payments made prior to this date but on or after January 1, 2010 for Eligible Expenditures.
2. The Closing Date is June 30, 2014.

**ANNEX  
TO  
SCHEDULE 2**

**Agreed Additional Procedures for National Competitive Bidding**

- 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 four (4) 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.

**APPENDIX****Definitions**

1. “ACD” means the Afghanistan Customs Department within the Recipient’s Ministry of Finance and any successor thereto.
2. “Annual Work Plan” means the time-bound program of Project activities to be prepared on an annual basis, pursuant to paragraph 2 of Section I.B of Schedule 2 to this Agreement.
3. “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.
4. “ASYCUDA World” means the version 4.0.24 (released 2009) or the latest available version of UNCTAD’s Automated System for Customs Declaration at the time of the upgrade.
5. “ASYCUDA++” means the version 1.18D (released 2006) of UNCTAD’s Automated System for Customs Declaration.
6. “Budget Committee” means the committee to be established by the Recipient pursuant to paragraph 1(b) of Section I.A of Schedule 2 to this Agreement.
7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. “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.
9. “CURE” means ACD’s Customs Reform and Modernization Unit established pursuant to MOF directives for purposes of coordinating ACD’s reform efforts, coordinating external assistance and inter-agency cooperation for the implementation of the Five Year Plan (2007-2012), and monitoring and reviewing ACD’s performance.
10. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated

parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

11. “Environmental and Social Management Plan” means the action plan to be prepared, if needed, pursuant to paragraph 1 in Section I.D of Schedule 2 to this Agreement, setting out environmental and social measures, including, *inter alia*, monitoring, communication and documentation requirements, waste disposal protocols, traffic management arrangements, and emergency response/contingency plans, in order to address any adverse environmental and social impacts that might originate from the Project.
12. “Environmental and Social Safeguards Management Framework” means the environmental and social framework prepared and adopted by the Recipient on April 28, 2004 for all projects financed by the Association, setting out, *inter alia*: (i) standards, principles, guidelines and mechanisms to assess/screen the potential negative and positive effects of Project activities; (ii) recommendations to prevent or minimize the adverse social and environmental impacts thereof; (iii) codes of practice and procedures applicable to the preparation of environmental impact assessments; (iv) “chance-finding” protocols; (v) landmine risk management procedures; and (vi) capacity building requirements for the Project.
13. “Financial Management Manual” means the manual to be prepared by the Recipient with the assistance of the Project Implementing Consultant, pursuant to paragraph 1 of Section I.B of Schedule 2 to this Agreement.
14. “Five Year Plan (2007-2012)” means ACD’s five year strategy plan, dated November 2007, setting out the institutional vision, mission and values, the overall goals for the 2007-2012 quinquennium, and the evaluation criteria for institutional performance.
15. “GAAP” means the Recipient’s governance and accountability action plan, dated September 12, 2009, prepared by ACD, setting out the assessment of governance risks in ACD, the required mitigation actions and responsible agency(ies), and the priorities for ACD’s institutional reforms.
16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
17. “Incremental Operating Costs” means the reasonable costs of incremental expenditures incurred by ACD, which expenditures would not have been incurred absent the Project, including, *inter alia*: (i) rental of office space; (ii) the operation, maintenance, rental and insurance of vehicles; (iii) fuel costs; (iv) communications supplies and charges; (v) advertisement expenses; (vi) books and periodicals; (vii) office administration and maintenance costs;

(viii) bank transaction charges; (ix) utility fees; and (x) domestic and international travel expenses, per diem, and allowances for the Recipient's officers and employees; but excluding salaries of officials and/or the Recipient's civil servants.

18. "Management Service Agreement" means the agreement referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall employ the services of the Project Implementing Consultant to assist ACD with the carrying out of the Project.
19. "MOF" means the Recipient's Ministry of Finance and any successor thereto.
20. "Post-Clearance Audit Unit" means the unit established within ACD responsible for preparing and implementing (nationwide) guidelines for carrying out post-clearance customs checks.
21. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
22. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 13, 2010 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.
23. "Project Implementing Consultant" means the United Nations Office for Project Services.
24. "Project Steering Committee" and the acronym "PSC" means the committee to be established by the Recipient pursuant to sub-paragraph 1(a) of Section I.A of Schedule 2 to this Agreement.
25. "Resettlement Action Plan" means the resettlement plans to be prepared, if needed, pursuant to paragraph 3 of Section I.D of Schedule 2 to this Agreement, setting out principles and procedures governing land acquisition from, resettlement of, and compensation to Displaced Persons, as well as reporting and monitoring arrangements therefor, on account of implementation of Project activities.
26. "Social and Environmental Impact Assessment" means the social and environmental assessment to be prepared, if needed, pursuant to sub-paragraph 1(a) of Section I.D of Schedule 2 to this Agreement, for purposes of reviewing the positive and negative social and environmental impact of Project activities (particularly the civil works).

27. “Training” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient for, or attended abroad by, ACD’s officials and staff, including the purchase and publication of materials, rental of facilities, course fees and travel and subsistence of trainees.
28. “TRSU” means the Recipient’s Tariff Research and Statistics Unit established within ACD, for purposes of processing and analyzing statistical data regarding Customs revenues and service performance, providing customized alerts, and coordinating data exchange regimes with other agencies/Ministries of the Recipient or the Customs agencies of other countries.
29. “UNCTAD” means the United Nations Conference on Trade and Development.
30. “UNIDO” means the United Nations Industrial Development Organization.