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**GRANT NUMBER H352-AF**

# **Financing Agreement**

**(Afghanistan Skills Development Project)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 10, 2008**

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Public Disclosure Authorized

**GRANT NUMBER H352-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 twelve million six hundred thousand Special Drawing Rights (SDR 12,600,000) (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 US 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 1 of the Project through CESP with the support of NSDP, Part 2 of the Project through MOE, Part 3 of the Project through MOLSAMD and Part 4 of the Project through MOE and 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 — REMEDIES OF THE ASSOCIATION**

- 4.01. The Co-financing Deadline for the effectiveness of the Norway Co-financing Agreement is the date that is one hundred twenty (120) days after the Effective Date.
- 4.02. The Co-financing Deadline for the effectiveness of the USAID Co-financing Agreement is the date that is one hundred twenty (120) days after the Effective Date.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. 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 VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Finance.
- 6.02. The Recipient's Address is:

Ministry of Finance  
Pashtunistan Watt  
Kabul  
Islamic Republic of Afghanistan

Facsimile:

0093-20-210-3258

6.03. 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 increase the number of immediately-employable graduates in Afghanistan by supporting the establishment of a high quality technical vocational education and training (TVET) system that is equitable, market responsive and cost-effective.

The Project consists of the following parts:

**Part 1: Development of a Regulatory and Quality Assurance Framework for Technical Vocational Education and Training**

- (a) Establishment of ANQA to regulate and provide quality assurance for TVET, through the development of a legal, policy, regulatory and administrative framework for such an authority.
- (b) Designing, developing and institutionalizing a national qualifications framework to provide the structure needed to map all education and training course provisions for TVET so as to allow for appropriate and meaningful certification and accreditation processes.
- (c) Establishment of awarding boards to provide certification within the national qualifications framework.

**Part 2: Improvement of the Relevance, Quality and Efficiency of Technical Vocational Education and Training**

- (a) Establishment of a national institute of management and administration to offer training programs in, *inter alia*, management and administration, accounting, and information technology, including rehabilitation and construction of physical infrastructure and provision of equipment for the new institute.
- (b) Supporting the reform and rehabilitation of selected TVET institutions through, *inter alia*, physical upgrading of their buildings, provision and maintenance of equipment, provision of process consulting services and technical assistance, and provision of faculty training.
- (c) Supporting the implementation of management and administrative reforms within DTVET aimed at re-orienting its procedures, systems, skills and equipment to the new ANQA and national qualifications framework, through, *inter alia*, provision of training to DTVET staff, development of an appropriate management information system and provision of information technology infrastructure.

Part 3: Supporting the National Skills Development Program and Strengthening Market Linkages with a Rural Focus

- (a) Provision of market driven training to youth, chronically poor women and marginal and landless farm laborers in, *inter alia*, agriculture, construction, business development services and microfinance.
- (b) Provision of training to trainers in productive skills, business development and trade, and development of contextualized productive skills curriculum materials.
- (c) Strengthening the capacity of MOLSAMD and NSDP to, *inter alia*: (i) develop curriculum and materials for training; (ii) collect, collate, analyze and interpret labor market information; (iii) review and interpret information from a labor force survey; and (iv) plan, manage and provide outreach for TVET.

Part 4: Research, Monitoring and Evaluation

- (a) Establishment of monitoring and information systems to measure implementation progress and collect data to be used as input to support decisions, identify alternatives and recommend corrections in Project implementation.
- (b) Carrying out of impact evaluations of Project activities against Project objectives and performance indicators.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. (a) The Recipient shall establish for the implementation of Part 1 of the Project, CESP to be chaired by the Vice President of the Recipient's Government and consist of representatives of MOE, MOHE, MOLSAMD, other relevant line ministries, the private sector and the donor community, to be responsible for overseeing the development and implementation of the policy, legal and regulatory framework for the establishment of ANQA.
- (b) In implementing Part 1 of the Project, CESP shall be assisted by NSDP which, through the NSDP PIU, shall be responsible for the administrative, financial management, procurement and day-to-day management of the implementation of Part 1 of the Project and shall, in this respect, act as an implementation unit for CESP. The NSDP PIU shall, in addition, liaise with the other line ministries and departments responsible for different Parts of the Project in ensuring that procurement under the Project is carried out in accordance with the Procurement Plan and the Financing Agreement.
- (c) Upon the establishment of ANQA, all policy and other functions performed by CESP under Part 1 of the Project, including the development and institutionalization of the national qualifications framework under Part 1(b) of the Project, shall be vested in ANQA.
2. (a) The Recipient shall vest responsibility for overseeing the implementation of Part 2 of the Project in MOE which, through DTVET, shall be responsible for coordinating the activities of the various MOE line departments and units in the implementation of Part 2 of the Project.
- (b) MOE shall be responsible for performing the procurement, financial management and reporting functions under Part 2 of the Project.
- (c) MOE's department of construction shall be responsible for carrying out all construction activities under Part 2 of the Project including overall technical guidance on institute rehabilitation and construction.
- (d) MOE's department of planning shall be responsible for all monitoring and evaluation activities under Part 2 of the Project.

- (e) The MOE senior management group, consisting of, among others, the Minister, Deputy Ministers, head of the Grants Management Unit, Director General of DTVET, and other senior MOE staff, shall be responsible for overseeing the implementation of Part 2 of the Project and providing strategic and policy guidance, reviewing overall implementation progress, and reviewing annual work plans and budgets prepared by the units and departments in MOE participating in the implementation of Part 2 of the Project.
- 3.
  - (a) The Recipient shall vest responsibility for the implementation of Part 3 of the Project in MOLSAMD through NSDP which shall be responsible for all financial management, procurement, disbursement, monitoring and evaluation and other administrative aspects of Part 3 of the Project. In carrying out its functions under Part 3 of the Project NSDP shall be assisted by the NSDP PIU.
  - (b) The NSDP Steering Committee, chaired by the Minister of MOLSAMD, shall be responsible for approving all activities carried out by NSDP including training contracts, reviewing Project implementation progress, and reviewing and approving annual works plans and budgets.
- 4. MOE through DTVET and MOLSAMD through NSDP shall be responsible for monitoring and evaluating the implementation of Parts of the Project that are within their lines of responsibility, as required under Part 4 of the Project.

**B. Financial Management Manual**

- 1.
  - (a) The Recipient shall and shall cause MOE and MOLSAMD to carry out their respective Parts of the Project in accordance with the Financial Management Manuals that have been approved by the Association, and furnish to the Association for its prior approval, any proposed amendments to the provisions of the Financial Management Manuals and, thereafter, put into effect such amendments as shall have been agreed with the Association.
  - (b) The Recipient shall ensure that an adequate number of qualified financial management staff with terms of reference satisfactory to the Association are retained throughout the implementation of the Project.

**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. The Recipient shall carry out the Project in accordance with the Environmental and Social Safeguards Framework.
2. The Recipient shall not amend or waive any provision of the Environmental and Social Safeguards Framework if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
3. The Recipient shall ensure that in the event that any land is to be acquired for the Project or any resettlement is to be carried out, such land shall be obtained and such resettlement carried out after prior consultation with the Association and in accordance with plans agreed with the Association.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

1. The Recipient, through MOE and MOLSAMD, 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 semester, 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 and shall cause to be prepared and furnished 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. 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:

<b>Procurement Method</b>	
(a)	National Competitive Bidding*
(b)	Shopping
(c)	Direct Contracting

**\*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 place preferably immediately, but no later than one 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.

**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)	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:

<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, training and Incremental Operating	12,600,000	100%

Costs* for the Project		
TOTAL AMOUNT	12,600,000	

\*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, but excluding salaries of officials and staff of the Recipient’s civil service.

**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 1,260,000 equivalent may be made for payments made prior to this date but on or after November 15, 2007, for Eligible Expenditures.
2. The Closing Date is February 28, 2013.

**Section V. Other Undertakings**

1. The Recipient shall, no later than April 1, 2008, appoint, and thereafter retain until completion of the Project, within the Grants Management Unit, a finance officer with qualifications and terms of reference acceptable to the Association.
2. The Recipient shall retain, until completion of the Project, a national financial management consultant and an internal auditor with qualifications and terms of reference acceptable to the Association.
3. The Recipient shall, no later than April 1, 2008, appoint, and thereafter retain until completion of the Project, within NSDP a procurement specialist with qualifications and terms of reference acceptable to the Association, to carry out and oversee procurement under the Project and provide training to NSDP procurement staff.
4. The Recipient shall no later than the date that is thirty (30) days after the Effective Date, adopt the Project Implementation Manual, in form and substance acceptable to the Association.

## APPENDIX

### Definitions

1. “ANQA” means the Afghanistan National Qualification Authority to be established under Part 1(a) of the Project.
2. “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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “CESP” means the Committee on Education and Skills Policy referred to in Section I.A paragraph 1(a) of Schedule 2 to this Agreement.
5. “Co-financier A” means Government of Norway referred to in paragraph 10 of the Appendix to the General Conditions.
6. “Co-financier B” means United States Agency for International Development (USAID), referred to in paragraph 10 of the Appendix to the General Conditions.
7. “Co-financier” means, as the context permits, Co-financier A and Co-financier B, and “Co-financiers” means both of Co-financier A and Co-financier B.
8. “Co-financing” means: (i) an amount of approximately six million United States Dollars (\$6,000,000), expected to be provided by Co-financier A; and (ii) an amount of approximately six million United States Dollars (\$6,000,000), expected to be provided by Co-financier B, to assist in financing the Project.
9. “Co-financing Agreements” means the Norway Co-financing Agreement and the USAID Co-financing Agreement.
10. “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.
11. “DTVET” means the Department of Technical and Vocational Education and Training established in accordance with the laws and regulations of the Recipient and operating within MOE.
12. “Environmental and Social Safeguards Framework” means the Recipient’s framework document dated, November 17, 2007, for environment and social safeguards management acceptable to the Association, setting out the guidelines and codes of practice for environmental mitigation measures to be incorporated

in the design, contracting and monitoring of Projects, along with an implementation structure assigning responsibilities to implementing agencies and their consultants, and a capacity building program for social and environmental management, as such Environmental and Social Safeguards Framework may be amended from time to time by agreement between the Recipient and the Association.

13. “Financial Management Manuals” means the manuals, included in the Project Implementation Manual, prepared and adopted by: (i) MOE with respect to Parts 2 and 4 of the Project; and (ii) MOLSAMD through NSDP with respect to Parts 1, 3 and 4 of the Project, in each case acceptable to the Association, setting out the financial management arrangements and procedures for the Project, as such manuals may be amended from time to time by agreement between the Recipient and the Association.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
15. “Grants Management Unit” means the unit in MOE established and to be responsible for the administrative management of all MOE implemented donor-funded projects.
16. “MOE” means the Recipient’s Ministry of Education or any successor thereto.
17. “MOHE” means the Recipient’s Ministry of Higher Education or any successor thereto.
18. “MOLSAMD” means the Recipient’s Ministry of Labor, Social Affairs, Martyrs and Disabled or any successor thereto.
19. “Norway Co-financing Agreement” means the agreement expected to be entered into between the Recipient and Co-financier A, or the Association as administrator of the trust fund for Co-financier A, providing for Co-financing A.
20. “NSDP” means the National Skills Development Program, a national priority program of MOLSAMD, which term also refers to the agency established and operating for the purpose of facilitating and coordinating the Program in Afghanistan.
21. “NSDP PIU” means the Program Implementation Unit of NSDP, established and operating within MOLSAMD in accordance with the laws and regulations of the Recipient.
22. “Part” means a Part of the Project as described in Schedule 1 to this Agreement.



23. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 12, 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.
25. “Project Implementation Manual” means the Project implementation manual to be adopted by the Recipient in accordance with Section V paragraph 4 of Schedule 2 to this Agreement, setting forth the procedures governing the operation of the Project, as the same may be amended from time to time, and such term includes any schedules to the Project Implementation Manual, provided however, that in the event of a conflict between this Agreement and the Project Implementation Manual, the provisions of this Agreement shall prevail.
26. “TVET” means Technical Vocational Education and Training.
27. “USAID Co-financing Agreement” means the agreement expected to be entered into between the Recipient and Co-financier B providing for Co-financing B.