

**OFFICIAL
DOCUMENTS**

GRANT NUMBER D093-AF

Financing Agreement

(Trans Hindukush Road Connectivity Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *November 14*, 2015

GRANT NUMBER D093-AF

FINANCING AGREEMENT

AGREEMENT dated November 14, 2015, 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 one hundred seventy eight million one hundred thousand Special Drawing Rights (SDR178,100,000) (“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 February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Public Works (“MPW”) 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 days (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 years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:

+93202103258

5.03. The Association's Address is:


International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

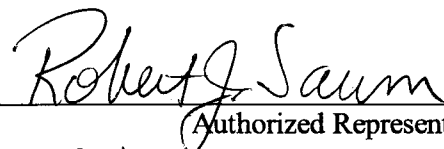
+1-202-477-6391

AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By 
Authorized Representative
Name: Eklil Ahmad Hakimi
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT
ASSOCIATION

By 
Authorized Representative
Name: Robert Saum
Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to improve road transport connectivity across the Hindukush mountain range.

The Project consists of the following parts:

Part 1: Road Construction and Rehabilitation

Construction of the Baghlan to Bamiyan (B2B) road and rehabilitation of the Salang road and tunnel, including the provision of equipment and of consulting services for the carrying out of related works supervision and audits.

Part 2: Institutional Support and Project Management

Carrying out the following program of activities designed to strengthen MPW's capacity to carry out its management, operation and maintenance responsibilities under the Project:

- (a) Road Safety, including the review of the existing design for the two roads under Part 1 of the Project with the specific purpose of detecting and remedying any potential design deficiencies in terms of road safety.
- (b) Definition and implementation of appropriate arrangements for the effective and efficient management, operation and maintenance of the B2B road and the Salang Pass road.
- (c) Community engagement, including the design and execution of MPW's information and communications campaign that includes, inter alia, an information communications technology-based citizen feedback mechanism and a Grievance Redress Mechanism (GRM).
- (d) Training capacity building and institutional development, including training and capacity building for staff of the MPW and DoPW.
- (e) Project management support, including the strengthening of MPW (including its PMT) to carry out its obligations under the Project

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, through MPW shall:
 - (a) maintain, at all times during Project implementation, within MPW's regular structure, a Project Management Team with functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility of said unit to coordinate and monitor the implementation of the Project in accordance with the provisions of this Agreement;
 - (b) ensure that, at all times during Project implementation, the PMT shall be headed by a Project leader (who shall be a high-level civil servant reporting directly to the Minister of Public Works), and adequately staffed with professional and administrative staff (including procurement, financial management, environmental specialists, social specialists, and Project related technical staff from MPW's internal units), with the necessary experience and qualifications acceptable to Association, and operating under terms of reference agreed to between the Recipient and the Association; and
 - (c) establish not later than one (1) month after the Effective Date and thereafter maintain at all times during Project implementation, an Inter-Ministerial Steering Committee, headed by a high-level representative of the Office of the President, and co-chaired by the Minister of Public Works, which shall comprise government officials from stakeholder departments, vested with the responsibility of, *inter alia*, ensuring inter-sectoral coordination and support.

B. Implementation Arrangements and Transition

1. Without limitation on the provisions of Section I.A. above, the Recipient, through MPW shall:
 - (a) maintain until August 31, 2016 or such other date as may be agreed between the Recipient and the Association, the services under the Existing Contract under terms of reference acceptable to the Association to assist MPW in the day-to-day implementation, coordination and monitoring of the Project in accordance with the terms of this Agreement;

- (b) by no later than August 31, 2016; (i) contract for a period agreed between the Recipient and the Association the services of a duly qualified and experienced firm (the Implementation Consultant), with qualifications and under terms of reference satisfactory to the Association, to: (A) assist MPW in the day-to-day implementation, coordination and monitoring of the Project in accordance with the terms of this Agreement; and (B) provide on-the-job training and capacity building to MPW and PMT staff to enable them to gradually take on project implementation tasks of an increased complexity; and (ii) maintain the services of the Implementation Consultant throughout Project implementation until agreed by the Recipient and the Association in accordance with subparagraph (c) below;
- (c) every six (6) months during the entire period of the Implementation Consultant's contract, carry out together with the Association, an in depth review of the implementation capacity of MPW and the PMT in order to: (i) assess the progress of the on-the-job training provided by the Implementation Consultant to this date; (ii) determine MPW and PMT's readiness to assume full implementation responsibility for the carrying out of all obligations under the Project, including safeguards, financial management and procurement; and (iii) based on the conclusions of this in depth review, make decisions on the necessary follow-on implementation arrangements to ensure the efficient carrying out of the Project and the achievement of its objectives following such date.

C. Project Documents

The Recipient, through MPW, shall carry out the Project in accordance with the Safeguard Instruments, the Financial Management Manual and the Procurement Plan; and shall not amend, delete or waive any provision of the aforementioned instruments without prior written agreement between the Recipient and the Association. In the event of any conflict between the provisions of any of the Safeguard Instruments, the Financial Management or the Procurement Plan on the one hand and the provisions of this Agreement on the other hand, the provisions of this Agreement shall prevail.

D. Anti-Corruption

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

E. Annual Work Programs and Budget

The Recipient, through MPW, shall:

- (a) furnish to the Association for approval as soon as available, but in any case not later than December 21 of each year, the annual work plan for the

Project and the respective budget allocation to finance full compensation under relevant RAP or RAPs, covering the activities proposed for the subsequent year of Project implementation; which plan and budget shall be of such scope and detail as the Association shall have reasonably requested;

- (b) ensure that the agreed resources are duly allocated by Recipient, in a manner and substance satisfactory to the Association, so as to guarantee the successful implementation of the annual work plans and related RAPs referred to in paragraph (a) of this Section; and
- (c) thereafter ensure that each activity under Part 1 of the Project is carried out in accordance with such plan and budget as agreed with the Association.

F. Safeguards

1. The Recipient shall:

- (a) ensure that the Project is carried out in accordance with the Safeguards Instruments, in a manner and substance satisfactory to the Association; and
- (b) refrain from amending, suspending, waiving, abrogating, and/or voiding any provision of the Safeguards Instruments, in whole or in part, without the prior written agreement of the Association.

2. The Recipient shall:

- (a) take all necessary actions to avoid or otherwise minimize to the extent possible, and to mitigate, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof;
- (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any Project activity which would result in such acquisition or displacement, develop and implement a Resettlement Action Plan (“RAP”) in accordance with the Resettlement Policy Framework (“RPF”), and make available to such people full compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the applicable RAP and in a manner satisfactory to the Association; and
- (c) ensure that prior to commencing any civil works on a road or tunnel or sections thereof, as well any ancillary infrastructure under the Project, all

resettlement measures set forth in the applicable RAP (if any), shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the applicable RAP.

3. Whenever a new or revised Environmental and Social Management Plan (“ESMP”) or RAP is required for any proposed activity under the Project in accordance with the provisions of the Environmental and Social Management Framework (“ESMF”) or the RPF (as the case may be), the Recipient shall:
 - (a) prior to the commencement of such activity, proceed to have such ESMP or RAP (as the case may be): (i) prepared in accordance with the provisions of the ESMF or the RPF (as the case may be); (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association; and
 - (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP or RAP (as the case may be), including the payment of full compensation as applicable to Displaced Persons prior to the commencement of the relevant activity.
4. The Recipient shall ensure that each contract for civil works under the Project include the obligation of the relevant contractor to comply with the relevant Safeguard Instrument applicable to such civil works commissioned/awarded pursuant to said contract.
5. The Recipient shall establish, by no later than six (6) months after the Effective Date and thereafter maintain throughout Project implementation, a Project Grievance Redress Mechanism, with staffing and operating procedures acceptable to the Association, for monitoring and addressing the concerns of people affected by the Project and building public and stakeholder support for the Project.
6. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Safeguards Instruments. Without limiting its other reporting obligations under this Agreement, the Recipient shall take all necessary measures to collect, compile and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
 - (a) measures taken in furtherance of the Safeguards Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments, particularly those related to the relevant RAP; and

- (c) remedial measures taken or required to be taken immediately to address such conditions.
7. In the event of any inconsistency between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

- A.** 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 of the Recipient, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
- 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 fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal 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, Works and Non-consulting Services.** All goods, works and non-consulting 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 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 method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
- B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**
1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
 2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding (subject to the additional provisions agreed upon from time to time between the Recipient and the Association and set forth in the Procurement Plan); (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (e) Direct Contracting; (f) Force Account; (g) Procurement from United Nations Office of Project Services; (h) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (i) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Association; and (j) Community Participation procedures which have been found acceptable to the Association.
- 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (g) Selection of United Nations

Office of Project Services; (h) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (i) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (j) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. 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:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, non-consulting services, consultants' services, Training and Incremental Operating Costs for the Project	14,500,000	100%
(2) Works under Part 1 of the Project	160,000,000	100%
(3) Refund of Preparation Advance	3,600,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	178,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made under Category (2) until and unless the Association has received satisfactory evidence that enough budget to adequately cover full compensations due to Displaced Persons under the RAP for the first segment of the B2B road, dated May 20, 2015 has been made readily available by the Recipient in a manner satisfactory to the Association.
2. The Closing Date is December 31, 2022.

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 and revised in January 2011.
2. “B2B” means the Recipient’s Baghlan to Bamiyan (B2B) road, to be supported under Part 1 of the Project.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
6. “Displaced Persons” means persons who, on account of the implementation 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; and (iii) loss of income source 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.
7. “DoPW” means the Department of Public Works within MPW.
8. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework dated June 9, 2015, acceptable to the Association, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental and Social Management Plans as may be required for Project activities, and which includes the Resettlement Policy Framework, as said framework may be modified from time to time with the prior written agreement of the Association.
9. “Environmental and Social Management Plan” or “ESMP” means, individually, (i) the Recipient’s environmental and social management plan for Segment 1 of the B2B road, disclosed on June 9, 2015; and (ii) each of the Recipient’s

environmental and social management plans, as may be required to be prepared in accordance with the Environmental and Social Management Framework and Section I.F.3 of Schedule 2 to this Agreement, acceptable to the Association, which sets out the mitigation, enhancement, monitoring and institutional measures, including capacity building through training; in each case as required to: (a) eliminate adverse environmental impacts of activities to be implemented under the Project; (b) offset them, or reduce them to acceptable levels; (c) enhance any positive impacts thereof; and (d) ensure compliance with the Recipient's statutory environmental requirements, as such plan may be revised, updated or supplemented from time to time with the prior written agreement of the Association; and "Environmental and Social Management Plans" means, collectively, all such plans.

10. "Existing Contract" means the contract for implementation support services for Project preparation and implementation, dated August 31, 2014 and referred to in Section I.B.1(a) of Schedule 2 to this Agreement.
11. "Financial Management Manual" means the financial management manual prepared by MPW, which manual provides for the financial management obligations under the Project, as such manual may be amended from time to time by agreement between the Recipient and the Association.
12. "Fiscal Year" means the Recipient's fiscal year, which commences on December 22 and closes on December 21 of each year.
13. "Implementation Consultant" means an international consulting firm, acceptable to the Association, referred to in Section I.B.1(b) of Schedule 2 to this Agreement.
14. "Incremental Operating Costs" means the reasonable costs incurred by the Recipient for implementation and management of the Project on the account of operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumables, fuel, office utilities and supplies, bank charges, advertising expenses, salaries and salary supplements (including travel allowances) of local contractual and temporary staff (other than consultants procured under the Project), but excluding salaries, allowances, bonuses or honoraria of members of the Recipient's civil service.
15. "MPW" means the Recipient's Ministry of Public Works; or any successor(s) thereto.
16. "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 dated January 15, 2014.

17. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 2, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
19. “Project Management Team” or “PMT” means the Project Management Office referred to in Section I.A.1(a) and (b) of Schedule 2 to this Agreement.
20. “Resettlement Action Plan” and the acronym “RAP” mean, individually: (i) the Recipient’s resettlement action plan for Segment 1 of the B2B road, disclosed on May 20, 2015; and (ii) each of the Recipient’s resettlement action plans, as may be required to be prepared in accordance with the Resettlement Policy Framework and Section I.F.2 of Schedule 2 to this Agreement, acceptable to the Association; and in each case which sets out the: (a) principles and procedures governing the acquisition of land required for the Project; (b) Displaced Persons as a result of Project activities; (c) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (d) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Project activities; and (e) principles and procedures for consultation, grievance redress, reporting and monitoring requirements, as said plan may be revised from time to time with the prior written agreement of the Association; and “Resettlement Action Plans” means, collectively, all such plans.
21. “Resettlement Policy Framework” or “RPF” means the Recipient’s resettlement policy framework for the Project dated May 28, 2015 and incorporated in the ESMF, acceptable to the Association, which sets out the policies and procedures for addressing adverse temporary or permanent social impacts resulting, or likely to result, from the carrying out of the Project, including: (a) the principles, policies and procedures, organizational arrangements, and design criteria to be applied to sub-projects to be prepared during implementation of the Project; and (b) for the preparation of Resettlement Action Plans as may be required for Project activities, as said framework may be revised from time to time with the prior written agreement of the Association.
22. “Safeguards Instruments” means the Environmental and Social Management Framework, the Resettlement Policy Framework, the Resettlement Action Plan(s) and Environmental and Social Management Plan(s).
23. “Training” means the reasonable costs of training activities under the Project attributable to seminars, workshops, and domestic and overseas study trips, along with travel and subsistence allowances for training participants, services of

trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.