

Public Disclosure Authorized

OFFICIAL DOCUMENTS

GRANT NUMBER D2820-AF

Financing Agreement

(Digital Central Asia South Asia (CASA) Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D2820-AF

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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) apply to and form 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 a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to thirty-five million one hundred thousand Special Drawing Rights (SDR 35,100,000) (“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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through MCIT in

accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.02. For purposes of Section 10.05 (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 Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan; and

(b) the Recipient's Electronic Address is:

Facsimile:

+93-20-210-3259

- 5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:

Facsimile:

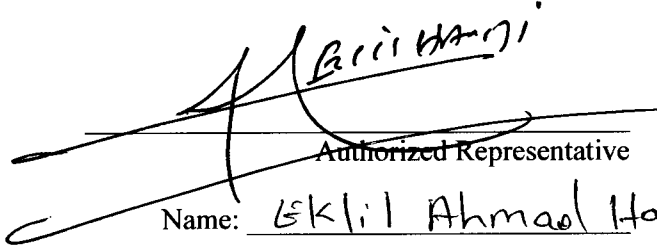
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AGREED as of the Signature Date.

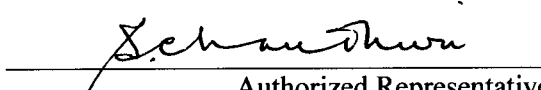
ISLAMIC REPUBLIC OF AFGHANISTAN

By


Authorized Representative
Name: Ekil Ahmad Hakimi
Title: Minister of Finance
Date: April 10, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By


Authorized Representative
Name: Shubham Chaudhari
Title: Country Director
Date: April 10, 2018

SCHEDULE 1

Project Description

The objectives of the Project are to increase access to more affordable internet, crowd in private investment in the ICT sector and improve the Recipient's capacity to deliver digital government services, by contributing to the development of a regionally integrated digital infrastructure and enabling environment.

The Project consists of the following parts:

Part 1: Regional and Domestic Connectivity

- (a) (i) Supporting pre-purchase of international bandwidth for the government and priority target groups; and

(ii) Provision of the Capital Subsidy through a reverse auction to create incentives for the public sector and private sector to roll out optical fiber backbone networks in selected remote and commercially unviable areas.
- (b) Installation of a network to provide broadband connectivity to targeted government offices in Kabul, provincial capitals, schools, hospitals, research institutions and post offices, among others, and development of an enterprise service bus (ESB) architecture, which serves as an integration platform for various systems used across the targeted public institutions.
- (c) Operationalization of an internet exchange point (IXP) to enable faster exchange of internet traffic between the central and south Asian countries, helping to significantly improve access speed and reduce costs to consumers.

Part 2: E-Government

- (a) Establishment of a cost-efficient cloud-based hosting solution for government data, and provision of a set of shared services to enable effective e-services implementation by key line ministries.
- (b) Provision of capacity building and development of: (i) a national portal to serve as a single window into the information and services offered by the Recipient; (ii) two high priority public online services for citizens in consultation with ministries of the Recipient; and (iii) two high priority e-services for businesses and the public sector.

Part 3: Enabling Environment: Policy and Regulatory Framework

- (a) Provision of technical assistance to the MCIT and ATRA to address the policy and regulatory modifications needed to implement an open access policy and create an enabling environment to crowd-in private sector investment and promote competition in the sector;
- (b) Review and assessment of ICT policies, strategies, standards, and regulatory framework to address gaps and weaknesses as well as to harmonize with regional commitments and frameworks.

Part 4: Project Management and Institutional Strengthening

Provision of technical assistance and training for the implementation activities as well as institutional strengthening of government at the regional and national levels.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall vest the overall responsibility for Project implementation in MCIT, and to that end shall maintain, throughout the period of implementation of the Project:
 - (a) the Steering Committee, to provide overall strategy guidance, support and oversight in Project implementation; and
 - (b) DCIU within MCIT, to be headed by a qualified Project director, acceptable to the Association, and provided with adequate resources and competent staff, which unit shall be assigned with functions and responsibilities including: (i) environmental and social safeguards issues; (ii) communications; (iii) financial management; (iv) monitoring and evaluation; and (v) procurement.
2. To facilitate the carrying out the Project, the Recipient shall, within ninety (90) days from the Effective Date, appoint a qualified and experienced internal auditor under terms of reference satisfactory to the Association to provide technical assistance and support to MCIT in financial management and internal controls.

B. Project Manual

The Recipient shall:

- (a) prepare and adopt, within ninety (90) days from the Effective Date, a Project Implementation Manual satisfactory to the Association setting out amongst others: (i) a detailed description of Project components; (ii) implementation arrangements and agreed guidelines for different parts of the Project; (iii) detailed Project cost estimates; (iv) a Financial Management Manual; (v) a Procurement Plan; (vi) the Environmental and Social Management Framework; and (vii) Resettlement Policy Framework;
- (b) ensure that the Project is carried out in accordance with the PIM; and
- (c) refrain from amending, suspending, abrogating, waiving or terminating whether in whole or in part, the PIM, if in the opinion of the Association.

such amendment, waiver, termination, suspension or abrogation may materially and adversely affect the implementation of the Project.

C. Safeguards.

1. The Recipient shall:
 - (a) ensure that the Project is carried out in accordance with the ESMF and RPF, in a manner and substance satisfactory to the Association;
 - (b) ensure that all strategic development plans, feasibility studies, detailed designs, investment plans and other plans to be prepared under the Project, include the preparation of the ESMPs, Social Impact Assessments and/or RAPs in a manner and substance satisfactory to the Association and as required by the ESMF or RPF; and
 - (c) 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. By June 30, 2018, the Recipient shall establish, and thereafter maintain, a grievance redress mechanism for the Project, 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.
3. 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 ESMF and RPF, and, where applicable, the preparation and implementation of the ESMPs, RAPs and Social Impact Assessments. 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 ESMF and RPF, 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 ESMF and RPF; and
 - (c) remedial measures taken or required to be taken immediately to address such conditions.

4. 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

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each quarter, covering the quarter.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1)		
(a) International bandwidth and Incremental Operating Costs for Part 1(a)(i) of the Project	6,882,000	100%
(b) Capital Subsidies under Part 1(a)(ii) of the Project	3,442,000	
(2) Goods, works, non-consulting services, consulting services, Training and Incremental Operating Costs for the Project (other than Part 1(a) of the Project)	24,776,000	100%
TOTAL AMOUNT	35,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) under Categories (1)(a) and (1) (b) until and unless: (i) ATRA has issued the Right of Way Guidelines, the Optical Fiber Wholesale Tariff Regulation, Optical Fiber Interconnection Regulation and the Optical Fiber Quality of Service Regulation, all of which are acceptable to the Association; and (ii) the Optical Fiber License Agreements have been executed between ATRA and at least one (1) private wholesale optical fiber operator, in form and substance acceptable to the Association.
2. The Closing Date is March 31, 2023.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. “ATRA” means the Afghanistan Telecom Regulatory Authority of the Recipient.
3. “Capital Subsidy” means the subsidy referred to in Part 1(a)(ii) of the Project, to be provided to selected public and private sector telecommunications operators to facilitate optical fiber backbone networks in selected remote and commercially unviable areas, and the term “Capital Subsidies” refers to all such subsidies.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Digital CASA Implementation Unit” or “DCIU” means the unit referred to in Section I.A(1)(b) of Schedule 2 to this Agreement.
6. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s environmental and social management framework adopted by the MCIT, and disclosed on July 19, 2017, 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 the Environmental and Social Management Plans, as said framework may be modified from time to time by agreement between the Recipient and the Association.
7. “Environmental and Social Management Plan” or “ESMP” means, individually, each environmental and social management plan, as may be required to be prepared, as applicable, by the MCIT, for any strategic development plans, feasibility studies, detailed designs, investment plans or any other strategies and/or plans to be prepared under the Project, in accordance with the ESMF and Section I.C.3 of Schedule 2 to this Agreement, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Environmental and Social Management Plans” and “ESMPs” means, collectively, all such plans.
8. “Financial Management Manual” means the manual prepared by the Recipient, as the same may be modified from time to time with the prior written agreement of

the Association as part of the PIM, pursuant to Section I.B (a) (iv) of Schedule 2 to this Agreement.

9. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated July 14, 2017.
10. "ICT" means information, communication and technology.
11. "Incremental Operating Costs" means reasonable expenditures incurred by the DCIU on account of Project management, supervision, monitoring and reporting, including banking services, costs of consumables, in country travel and per diem allowances for Project staff conducting supervision, office utilities and supplies, communication costs, fuel and maintenance costs for vehicles, advertising expenses, operation and maintenance of equipment, which costs would not have been incurred absent the Project, but excluding salaries of civil servants.
12. "MCIT" means the Recipient's Ministry of Communication, Information and Technologies or any successor thereof.
13. "Optical Fiber Interconnection Regulation" means a set of requirements to ensure that two or more optical fiber networks are linked to enable mutual exchange of traffic.
14. "Optical Fiber License Agreement" means an agreement between the regulatory authority of the Recipient and each operator, setting forth the terms and conditions for rolling out optical fiber networks in the territory of the Recipient.
15. "Optical Fiber Quality of Service Regulation" means a set of standards of basic minimum quality levels for all optical fiber operators, to ensure that users continue to have access to high quality services.
16. "Optical Fiber Wholesale Tariff Regulation" means the regulations that define the traffic structure for the optical fiber wholesale services.
17. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017.
18. "Project Implementation Manual" or its acronym "PIM" means the manual to be prepared by the Recipient pursuant to Section I.B of Schedule 2 to this Agreement.
19. "Resettlement Action Plan" or "RAP" means, individually, each of the Recipient's resettlement action plans, as may be required to be prepared for any strategic development plans, feasibility studies, detailed designs, investment plans, or any

other strategies and/or plans to be prepared under the Project, in accordance with the RPF and Section I.C.3 of Schedule 2 to this Agreement, acceptable to the Association, as said plan may be revised from time to time by agreement between the Recipient and the Association; and “Resettlement Action Plans” and “RAPs” means, collectively, all such plans.

20. “Resettlement Policy Framework” or “RPF” means the Recipient’s resettlement policy framework adopted by the MCIT and disclosed on July 19, 2017, acceptable to the Association, setting out 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 and organizational arrangements; and (b) rules for the preparation of Resettlement Action Plans as may be required for strategic development plans, feasibility studies, detailed designs, investment plans, any other strategies and/or plans to be prepared under the Project, as said framework may be revised from time to time with the prior written agreement of the Association.
21. “Right of Way Guidelines” means the guidelines for granting right of way permissions to pass along a specific route through grounds or property belonging to another.
22. “Safeguard Instruments” means collectively the ESMF, ESMPs, RFP, RAPs and Social Impact Assessments.
23. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement, and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
24. “Social Impact Assessment” means individually, each of the Recipient’s social impact assessments, as may be required to be prepared for [any strategic development assessment, feasibility studies, detailed designs, investment plans, or any other strategies and/or assessment] to be prepared under the Project, in accordance with the ESMF and Section I.C.3 of Schedule 2 to this Agreement, acceptable to the Association, as said assessment may be revised from time to time by agreement between the Recipient and the Association; and “Social Impact Assessments” means, collectively, all such assessments.
25. “Steering Committee” means the committee, as referred to in Section I.A(1)(a) of Schedule 2 to this Agreement, chaired by the representative from the Recipient’s Ministry of Finance and include the representatives from stakeholders.
26. “Training” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient and abroad, including the purchase and publication of materials, rental of facilities, course fees, travel and subsistence allowances for trainers and trainees.