July 15, 2008

H.E. Anwar-ul Haq Ahady
Minister of Finance
Ministry of Finance
Islamic Republic of Afghanistan
Kabul, Afghanistan

Dear Minister Ahady:

Re: Islamic Republic of Afghanistan: Microfinance Support for Poverty Reduction Project (TF052452-AF)
Tenth Amendment to Afghanistan Reconstruction Trust Fund Grant Agreement

We refer to the Afghanistan Reconstruction Trust Fund Grant Agreement dated July 10, 2003 (the “Grant Agreement”) between Islamic Republic of Afghanistan as successor to the Transitional Islamic State of Afghanistan (the “Recipient”) and International Development Association (the “Association”), acting as administrator (in such capacity the “Administrator”) of the Afghanistan Reconstruction Trust Fund (“ARTF”), as amended to date, for the Microfinance Support for Poverty Reduction Project (the “Project”). We also refer to the understanding reached between the Recipient and the Administrator to increase the amount of the available grant funds by fifty million United States Dollars (US$50,000,000) and to align the Grant Agreement with the new IDA-financed Expanding Microfinance Outreach and Improving Sustainability Project Grant Number H348-AF dated March 10, 2008.

The increase in grant funds reflects additional contributions received from ARTF’s donors.

Accordingly, the Grant Agreement is amended as follows:

1. Section 2.01. (a) is amended by revising the aggregate value of grant funds to be equivalent to one hundred eighty three million three hundred thousand United States dollars (US$183,300,000).

2. Schedule 1 to the Grant Agreement is deleted and replaced with the table in Attachment 1 to this Amendment Letter.

3. Schedule 3 to the Grant Agreement (Procurement and Consultants’ Services) is deleted and replaced with the provisions in Attachment 2 to this Amendment Letter.

4. Schedule 6 to the Grant Agreement (Performance Monitoring Indicators) is amended as reflected in Attachment 3 to this Amendment Letter.

All the terms and conditions of the Grant Agreement that have not been amended hereby shall remain unchanged and in full force and effect.
Unless the context otherwise requires and except where otherwise defined in this amendment letter, all capitalized terms contained herein shall have the meanings given to them in the Grant Agreement.

Please confirm your agreement to the amendment set out above by signing or arranging for an authorized representative of the Recipient to sign the form of confirmation set out below. Kindly return one fully executed original of this amendment letter to us at your earliest convenience and retain one original for your records.

This amendment to the Grant Agreement shall become effective once it is fully executed by both parties.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as Administrator of the Afghanistan Reconstruction Trust Fund)

Mariam J. Sherman
Country Manager for Afghanistan
South Asia Region

Confirmed and Agreed
ISLAMIC REPUBLIC OF AFGHANISTAN

Signature:
Name: H.E. Anwar-ul Haq Ahady
Title: Finance Minister
Date: July 15, 2008
**SCHEDULE 1**

Withdrawal of the Proceeds of the Grant

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (Expressed in U.S. Dollars Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>3,381,815</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services and audits</td>
<td>4,768,148</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>2,348,148</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>38,731,868</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Sub-Grants and Sub-Loans</td>
<td>134,070,021</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>183,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
“SCHEDULE 3

Procurement and Consultants’ Services

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 “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 (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 “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 (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. Alternative Method of Procurement of Goods and Works. The following table specifies the alternative method 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:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement in Loans to Financial Intermediaries</td>
</tr>
<tr>
<td>Shopping;</td>
</tr>
<tr>
<td>Direct Contracting</td>
</tr>
</tbody>
</table>

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. **Alternative Method of Procurement of Consultants' Services.** The following table specifies the alternative method 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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Practices</td>
</tr>
<tr>
<td>Single-source Selection</td>
</tr>
<tr>
<td>Selection of Individual Consultants;</td>
</tr>
<tr>
<td>Selection based on the Consultants’ Qualifications</td>
</tr>
</tbody>
</table>

**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.
"SCHEDULE 6

Performance Monitoring Indicators

1. By Project completion, 87% percent of loan portfolio outstanding, accounted for by MFPs, with OSS\(^1\) > 100%;
2. By Project completion, fifteen MFPs registered as separate legal entities under Afghanistan Law;
3. 680,000 active MFP Clients by Project completion;
4. By Project completion, 65% of the active 680,000 MFP Clients are women; and
5. By Project completion, the outstanding MFPs loan portfolios have increased 280% to reach the aggregated amount of one hundred ninety five million United State Dollars (US$195,000,000) equivalent.

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\(^1\) "OSS" means operating self sufficiency – operating income (primarily from the outstanding loan portfolio or other financial services that might be provided to clients) divided by operating expenses (all operating expenses, including write-off expenses and the cost of funds)