Amended and Restated
Afghanistan Reconstruction Trust Fund
Grant Agreement

(Additional Financing for Citizens' Charter Afghanistan Project - Emergency Regional Displacement Response)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Afghanistan Reconstruction Trust Fund

Originally dated December 6, 2016
(as amended and restated on 2017)
ARTF TF GRANT NUMBER TF0A3827

AFGHANISTAN RECONSTRUCTION TRUST FUND
GRANT AGREEMENT

AGREEMENT originally dated December 6, 2016, as amended and restated on April ..., 2017, between:

ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator ("World Bank"), of the grant funds ("Grant Funds") contributed by various donors (collectively the "Donors") to the Afghanistan Reconstruction Trust Fund (ARTF).

WHEREAS:

(A) the ARTF Management Committee and the World Bank approved on September 21, 2016 a proposal for financing of the Project (as hereinafter defined) in the amount of one hundred million United States Dollars ($100,000,000) (the "Original Grant"), on terms and conditions set forth or referred to in the Grant Agreement, dated December 6, 2016, as amended to the date of this Agreement (the "Original Grant Agreement");

(B) the Recipient requested, and the ARTF Management Committee and the World Bank approved on July 10, 2017, a proposal for additional financing for the Project (as hereinafter defined) in the amount of forty-four million three hundred thousand United States Dollars ($44,300,000) (the "Additional Grant").

WHEREAS the World Bank has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the World Bank hereby agree to amend and restate the Original Grant Agreement to read as follows with effect from the date of this Agreement:

Article I
Standard Conditions; Definitions

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project, through the Implementing Agencies, in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement:

(a) a grant in an amount equal to one hundred million United States Dollars ($100,000,000) ("Original Grant") to assist in financing the Project; and

(b) a grant in an amount equivalent to forty-four million three hundred thousand United States Dollars ($44,300,000) ("Additional Grant") (the Original Grant and the Additional Grant are collectively referred to herein as the "the Grant");

in each case, to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.
Article IV
Effectiveness; Termination

4.01. The Additional Condition of Effectiveness consists of the following, namely that, the General Directorate for the Citizens' Charter referred to Section I.A.3(a) of Schedule 2 to this Agreement, and the Central Project Implementation Unit referred to in Section I.A.4(a) of Schedule 2 to this Agreement are adequately staffed and operating in a manner satisfactory to the World Bank.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

5.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:
+93202103258

5.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions 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: [Signature]

Authorized Representative

Name: [Name]

Title: [Title]

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as administrator of the Afghanistan Reconstruction Trust Fund)

By: [Signature]

Authorized Representative

Name: [Signature]

Title: [Title]
SCHEDULE 1

Project Description

The objective of the Project is to improve the delivery of core infrastructure, Emergency Support, and social services to participating communities through strengthened CDCs.

The Project consists of the following parts:

Part 1: Service Standards Grants

Provision of service standards grants for the carrying out of prioritized Sub-Projects aimed at developing community-based productive infrastructure, such as water supply facilities, irrigation works, roads, electrification and lighting, parks, and sanitation and waste management pursuant to the following scheme:

(a) Rural Areas Service Standards Grants to CDCs; and

(b) Urban Areas Block Grants to CDCs or GAs

Part 2: Institution Building

Provision of capacity building support to the Recipient’s local government structure in rural and urban areas to respond to community development demands, including, capacity building and facilitation of CDCs, CDC clusters, GAs, FPs and other consultants involved in project implementation.

Part 3: Monitoring and Knowledge Learning and Enhanced Displacement Data Collection and Coordination Support

Carrying out a program of: (a) learning activities from village to national levels, including exchange visits across communities, especially for women, and support for thematic studies and evaluations; and (b) activities to enhance data collection to focus on internally displaced person/returnee, and to facilitate greater regional and cross-sectoral collaboration in response to the displacement crisis.

Part 4: Project Implementation and Management

Carrying out a program of activities designed to support the management and oversight of the Project at central and regional levels, including the following functions: policy and operational planning; operations manual development; capacity building; management information and reporting systems; grievance redress mechanisms; human resource management; communications; donor and field coordination, quality assurance on financial management; procurement and safeguards support.
Part 5: Social Inclusion and Maintenance and Construction Cash Grant

(a) Provision of Maintenance and Construction Cash Grants for the purpose of maintaining and constructing the infrastructure Sub-projects.

(b) Provision of Social Inclusion Grants to initiate community food/grain banks and carrying out of a program of activities aimed at providing community welfare support.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Overall Project Implementation and Coordination

1. The Recipient shall vest responsibility of the overall implementation and management of the Project in the Implementing Agencies. To this end, the Recipient shall:

   (a) through MRRD carry out Part 1(a) of the Project and the activities under Parts 2, 3, 4 and 5 of the Project related to Project implementation in the Rural Areas, and

   (b) through IDLG carry out Part 1(b) of the Project and the activities under Parts 2, 3 and 4 of the Project related to Project implementation in the Urban Areas

2. The Recipient shall maintain, throughout Project implementation, an inter-ministerial Citizens' Charter Working Group, headed by the Recipient’s Ministry of Finance, with representation from relevant ministries, including MRRD, IDLG, Ministry of Public Health, Ministry of Education, and Ministry of Agriculture, Irrigation and Livestock which working group shall be responsible for providing guidance on the overall policy and strategic planning and management of the Project.

3. The Recipient, through MRRD shall:

   (a) maintain, throughout Project implementation, the General Directorate for the Citizens’ Charter, adequately staffed with professional and administrative staff with the necessary experience and qualifications acceptable to World Bank, and operating under terms of reference satisfactory to the World Bank, vested with the responsibility of overall Project implementation and coordination with other national line ministries;

   (b) be supported, at the provincial level, by Provincial Management Units (“MRRD PMUs”) (one per province). Each MRRD PMU shall be adequately staffed with professional and administrative staff with the necessary experience and qualifications acceptable to World Bank, and operating under terms of reference satisfactory to the World Bank. The MRRD PMUs will be responsible for field monitoring of all Facilitating Partner activities on the ground, sample monitoring of all CDC activities
under the Citizens’ Charter in rural areas, reviewing all Sub-Project proposals and disbursement requests under the Rural Areas Service Standard Grants, the Maintenance and Construction Cash Grants, or the Social Inclusion Grants (as the case may be) to the CDCs, coordinating with other line ministries and sectoral plans for the province, and database management and reporting; and

(c) contract with Facilitating Partners, in accordance with terms of reference and eligibility criteria satisfactory to the World Bank, to assist in mobilizing local/rural communities to establish new CDCs; conducting elections of CDCs; building capacity of CDCs and facilitating consultative community planning exercises.

4. The Recipient, through IDLG shall:

(a) maintain, throughout Project implementation a Central Project Implementation Unit (“CPIU”), adequately staffed with professional and administrative staff with the necessary experience and qualifications acceptable to World Bank, and operating under terms of reference satisfactory to the World Bank, vested with the responsibility of overall Project implementation and coordination with other national line ministries

(b) be supported, at the provincial level, by Provincial Management Units (“IDLG PMUs”) (one per municipality). Each IDLG PMU shall be adequately staffed with professional and administrative staff with the necessary experience and qualifications acceptable to World Bank, and operating under terms of reference satisfactory to the World Bank. The IDLG PMU responsible for field monitoring of all Facilitating Partner activities on the ground, sample monitoring of all community and GA level activities under the Citizens’ Charter in urban areas, review of all Sub-Project proposals and disbursement requests under the Urban Areas Block Grants to the communities/GAs, coordination with other line ministries and sectoral plans for the municipality, and database management and reporting;

(c) contract with Facilitating Partners, in accordance with terms of reference and eligibility criteria satisfactory to the World Bank, to assist in mobilizing urban communities to establish new CDCs and GAs; conducting elections of CDCs and GAs; building capacity of CDCs and GAs and facilitating consultative community planning exercises; and assist in the implementation of Sub-projects.

(d) by no later than June 15, 2017, (i) contract for a period agreed between the Recipient and the World Bank the services of a duly qualified and
experienced firm (the Oversight Consultant), with qualifications and
under terms of reference satisfactory to the World Bank, to: (A) assist
IDLG 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 IDLG and CPIU staff
to enable them to gradually take on project implementation tasks of an
increased complexity; and (ii) maintain the services of the Oversight
Consultant throughout Project implementation until agreed by the
Recipient and the World Bank in accordance with sub-paragraph (c)
below; and

by no later than January 1, 2019, carry out together with the World Bank,
an in depth review of the implementation capacity of IDLG and CPIU in
order to: (i) assess the progress of the on-the-job training provided by the
Oversight Consultant to this date; (ii) determine IDLG and CPIU’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.

B. Anti-Corruption

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

C. Sub-Projects

1. To be eligible for:

(i) a Rural Areas Service Standard Grant or a Maintenance and Construction
Cash Grant (as the case may be), a CDC shall:

(a) have been duly established in accordance with the requirements
of the Operations Manual; and

(b) prepare and furnish to MRRD a Community Development Plan,
or a Maintenance and Construction Plan (as the case may be)
which inter alia, includes actions related to gender mainstreaming; and
prepare and furnish one or more Sub-Project proposals to MRRD that fully satisfy the eligibility criteria specified in the Operations Manual and the Environmental and Social Management Framework. Several CDCs may combine together as a CDC cluster to prepare one or more Sub-Project proposals of common interest and benefit by pooling their Rural Areas Service Standards Grant or Maintenance and Construction Cash Grant (as the case may be) entitlements;

(ii) an Urban Areas Block Grant, a CDC or a GA shall:

(a) ensure that the proposed CDC or GA has been duly established in accordance with the requirements of the Operations Manual; and

(b) prepare and furnish to IDLG a Community Development Plan, which, inter alia, includes actions related to gender mainstreaming; and

(c) prepare and furnish one or more Sub-Project proposals to IDLG that fully satisfy the eligibility criteria specified in the Operations Manual and the Environmental and Social Management Framework. Several CDCs may combine together to prepare one or more Sub-Project proposals of common interest and benefit by pooling their Urban Areas Block Grant entitlements.

(iii) a Social Inclusion Grant, a CDC shall have a Social Inclusion Grant Plan prepared and approved in accordance with the Operations Manual (particularly with its Annex on Service Standards Grants including the Maintenance and Construction Cash Grants and the Social Inclusion Grants).

2. (i) For the purposes of each Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, and the Urban Areas Block Grant:

(a) In evaluating each Sub-Project proposal, consideration shall be given by MRRD and IDLG, respectively, to the CDC’s and GA’s capacity (as the case may be) to carry out, manage and maintain the Sub-Project in conformity with appropriate administrative, financial, technical, environmental (including in accordance with the provisions of the Safeguard Instruments) and managerial standards.

(b) When required by the Environmental and Social Management Framework, the CDC or GA (as the case may be), shall have prepared an Environment and Social Management Plan meeting
the requirements of the Operations Manual and the ESMF and submitted the same to MRRD or IDLG and the World Bank for approval before MRRD or IDLG, as the case may be, shall be authorized to award either a Rural Areas Service Standards Grant, a Maintenance and Construction Cash Grant, or an Urban Areas Block Grant (as the case may be) to such CDC or GA.

(ii) For the purposes of a Social Inclusion Grant, in evaluating each Social Inclusion Grant Plan, consideration shall be given to the CDCs capacity to carry out, manage and maintain the Sub-Project in conformity with appropriate administrative, financial, technical, and managerial standards.

3. The Recipient shall make a portion of the proceeds of the Grant available, as Rural Areas Service Standards Grants, Maintenance and Construction Cash Grants, or Social Inclusion Grants (as the case may be) to CDCs (including clusters of CDCs) under Rural Areas Service Standards Grant Agreements, Maintenance and Construction Cash Grant Agreements, or Social Inclusion Grant Agreements (as the case may be) to be entered into by representatives of the CDC and MRRD, and as Urban Areas Block Grants to CDCs or GAs (as the case may be) under Urban Areas Block Grant Agreements to be entered into by representatives of the CDC or the GA (as the case may be) and IDLG, all under terms and conditions which shall have been approved by the World Bank, which shall include the following:

(a) Each Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, the Social Inclusion Grant, and the Urban Areas Block Grant shall be denominated in Afghani; and shall not be repayable except in circumstances described under (b)(i) below.

(b) The Recipient shall retain rights adequate to protect its interests and those of the World Bank, including the right to:

(i) suspend or terminate the right of the CDC and/or the GA (as the case may be) to use the proceeds of the Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, the Social Inclusion Grant, or the Urban Areas Block Grant (as the case may be), or obtain a refund of all or any part of the amount of the Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, the Social Inclusion Grant, or the Urban Areas Block Grant (as the case may be) then withdrawn, upon the respective CDC's or the respective GA's failure to perform any of its obligations under the Rural Areas Service Standards Grant Agreement, the Maintenance and Construction Cash Grant Agreement, the Social Inclusion Grant Agreement, or the Urban Areas Block Grant Agreement (as the case may be); and
(ii) require each CDC (including clusters of CDCs), or GA (as the case may be) to:

(I) For the purposes of the Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, and the Urban Areas Block Grant (as the case may be):

(A) carry out its Sub-Projects with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Safeguard Instruments, the Operations Manual, and the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient;

(B) provide, promptly as needed, any agreed counterpart resources (whether in cash or in kind) required for the Sub-Project;

(C) procure the goods, works and services to be financed out of such Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, or such Urban Areas Block Grant in accordance with the provisions of this Agreement;

(D) use any such goods, works and services procured under such Rural Areas Service Standards Grant, the Maintenance and Construction Cash Grant, or such Urban Areas Block Grant exclusively for the carrying out of Sub-Projects;

(E) enable the Recipient and the World Bank to inspect the Sub-Project, its operation and any relevant records and documents;

(F) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

(G) ensure that such Rural Areas Service Standards Grant, the Maintenance and Construction Cash
Grant, or the Urban Areas Block Grant shall not finance or support the cultivation of poppy.

(II) For the purposes of the Social Inclusion Grant:

(A) carry out its Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, standards and practices satisfactory to the World Bank, including the CDCs obligation to maintain cashbooks and registers recording financial transactions to demonstrate meeting the requirements of the Operations Manual.

(B) provide, promptly as needed, any agreed counterpart resources (whether in cash or in kind) required for the Sub-Project;

(C) enable the Recipient and the World Bank to inspect the Sub-Project, its operation and any relevant records and documents;

(D) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and

(E) ensure that the Block Grant shall not finance or support the cultivation of poppy.

4. The Recipient shall exercise its rights under each Rural Areas Service Standards Grant Agreement, each Maintenance and Construction Cash Grant Agreement, each Social Inclusion Grant Agreement, and each Urban Areas Block Grant Agreement, in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of each Rural Areas Service Standards Grant Agreement, each Maintenance and Construction Cash Grant Agreement, each Social Inclusion Grant Agreement, and each Urban Areas Block Grant Agreement.

5. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Rural Areas Service Standards Grant Agreement, any Maintenance and Construction Cash Grant Agreement, any Social Inclusion Grant Agreement, or any Urban Areas Block Grant Agreement or any of its respective provisions.
D. **Project Documents**

The Recipient shall carry out the Project in accordance with the Operations Manual, 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 World Bank. 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.

E. **Annual Work Plans and Budgets**

The Recipient shall:

1. prepare and furnish to the World Bank for approval, each year as soon as available, but in any case not later than December 1 of each year, during Project implementation, an annual work plan and budget for the Project (with a financial plan specifying all sources of financing including Counterpart Funds, and cash flow projections), covering the activities proposed for the subsequent year of Project implementation; which plan and budget shall be of such scope and detail as the World Bank shall have reasonably requested (once approved by the World Bank, and "Annual Work Plan and Budget").

2. ensure that adequate financial resources for the part financed by the Recipient are duly allocated in the Recipient’s annual budget, in a manner and substance satisfactory to the World Bank, so as to guarantee the successful implementation of the annual work plans referred to in paragraph 1 of this Section.

3. The Recipient shall ensure that the Project is carried out in accordance with the Annual Work Plans and Budgets.

4. Annual Work Plans and Budgets may be revised as needed during Project implementation subject to the World Bank’s prior approval.

F. **Counterpart Funds**

1. The Recipient shall provide funds for the financing of the Project ("Counterpart Funds") in an amount which shall not be less than one hundred twenty-eight million Dollars ($128,000,000) in the aggregate to be disbursed for the Project no later than the Closing Date.
2. Counterpart Funds shall be allocated and disbursed to the Project in a manner acceptable to the World Bank, at least once a year, in accordance with the provisions of each Annual Work Plan and Budget approved by the World Bank.

G. 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 World Bank; 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 World Bank.

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; and
   
   (b) whenever a new or revised RAP or ESMP or any additional or revised Safeguards Instrument is required for any proposed activity under the Project in accordance with the provisions of the RPF or the ESMF, as the case may be:
      
      (i) 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 World Bank for review and approval; and (iii) thereafter adopted and disclosed as approved by the World Bank, in a manner acceptable to the World Bank;
      
      (ii) 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; and
      
      (iii) in the case of any activity involving Displaced Persons, ensure that no displacement shall occur before the necessary measures
consistent with the RAP have been executed, including full payment to Displaced Persons of compensation and other assistance required for relocation prior to displacement of persons or commencement of works or other related Project activities in a manner satisfactory to the World Bank.

3. 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.

4. The Recipient shall maintain throughout Project implementation, a Project Grievance Redress Mechanism, with staffing and operating procedures acceptable to the World Bank, for monitoring and addressing the concerns of people affected by the Project and building public and stakeholder support for the Project.

5. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, 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 World Bank, 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.

6. 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.

H. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project through the ARTF.
For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donors.

B. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.
C. Financial Management; Financial Reports; Audits

1. The Recipient shall maintain or cause to be maintained a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall prepare and furnish to the World Bank 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 World Bank.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and consulting 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 the Procurement Regulations and the provisions of the Procurement Plan.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the World Bank 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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants' services, Training and Incremental Operating Costs incurred by MRRD under Parts 1, 2, 3, 4 and 5 of the Project</td>
<td>46,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Rural Areas Service Standards Grants</td>
<td>24,000,000</td>
<td>100% of amounts disbursed for Rural Areas Service Standards Grants</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, and consultants' services, Training and Incremental Operating Costs incurred by IDLG under Parts 1, 2, 3 and 4 of the Project</td>
<td>15,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Urban Areas Block Grants</td>
<td>15,000,000</td>
<td>100% of amounts disbursed for Urban Areas Block Grants</td>
</tr>
<tr>
<td>(5) Maintenance and Construction Cash Grants, and Social Inclusion Grants under Part 5 of the Project</td>
<td>44,300,000</td>
<td>100% of amounts disbursed for Maintenance and Construction Cash Grants or Social Inclusion Grants (as the case may be)</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>144,300,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
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 $2,000,000 equivalent may be made for payments made prior to this date but on or after June 1, 2016 for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is October 31, 2021.
APPENDIX

Definitions

1. “ARTF Management Committee” means the committee established pursuant to Section 5 of the standard terms and conditions governing contributions to the Afghanistan Reconstruction Trust Fund (TF No. 050576), responsible for, *inter alia*, overseeing the activities of the Trust Fund and for resource allocation decisions with respect to the Grant Funds.

2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “Citizens’ Charter” means a Citizens’ Charter launched by the Recipient in September 2015, as part of its twelve national priority programs, with the objective of setting a threshold of core services to be provided to all communities and help make CDCs inclusive and representative bodies.

4. “Community Development Council” or “CDC” means a community-based decision making body that includes a chairperson, vice-chairperson, secretary, and treasurer, and is responsible for, *inter alia*, preparing Community Development Plans and Sub-Project proposals, and for the implementation and management of Sub-Projects.

5. “Community Development Plan” means a plan developed by each CDC and each GA, as the basis for identifying and prioritizing investments under either a Rural Areas Service Standards Grants or an Urban Areas Block Grants, for Sub-Projects.

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; (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. “Emergency Support” means support in emergency situations, as officially declared by a ministerial committee of the Government of the Recipient, which include, but are not limited to weather-related shocks, natural disasters, and conflict that impact internally displaced person or returnee.

8. “Environment and Social Management Plan” or “ESMP” means, individually, each environmental and social management plan, as may be required to be prepared by the CDCs, in accordance with the ESMF and Section I.G.2 of Schedule 2 to this Agreement, setting forth mitigation, enhancement, monitoring,
and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan, and "Environmental and Social Management Plans" and "ESMPs" means, collectively, all such plans.

9. "Environmental and Social Management Framework" or "ESMF" means the Recipient’s environmental and social management framework adopted by MRRD and IDLG and disclosed on August 31, 2016, acceptable to the World Bank, 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, as said framework may be modified from time to time by agreement between the Recipient and the World Bank.

10. "Facilitating Partners" or "FPs" means international and/or national non-governmental organizations and agencies, as well as United Nations agencies that will assist the Recipient in carrying out the Project, as provided for in Section I.A.3(c) and Section I.A.4(c) of Schedule 2 to this Agreement.

11. "Financial Management Manual" means the financial management manual for the Project, set forth as an annex to Project Operations Manuals, 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 World Bank.

12. "General Directorate for the Citizens’ Charter" means the department within MRRD responsible for oversight and management of the Citizens’ Charter in rural areas.

13. "Gozar Assemblies" or "GAs" means a cluster of CDCs operating in the urban areas of the Recipient’s territory.

14. "IDLG" means the Recipient’s Independent Directorate of Local Governance, or any successor thereto.

15. "Implementing Agencies" means, collectively MRRD and IDLG.

16. "Incremental Operating Costs" means the reasonable costs incurred by the Recipient for implementation and management of the Project on the account of, inter alia, 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 of local contractual and temporary staff (other than consultants procured under the Project) and travel and per diem for Project staff, but excluding salaries, allowances, bonuses or honoraria of members of the Recipient's civil service.

17. "Maintenance and Construction Cash Grant Agreement" means an agreement for a Maintenance and Construction Cash Grant referred to in Section I.C.3 of Schedule 2 to this Agreement.

18. "Maintenance and Construction Cash Grant Plan" means a plan developed by each CDC and approved in accordance with the Operations Manual, to serve as the basis for identifying and prioritizing Maintenance and Construction Cash Grant investments for Sub-Projects.

19. "Maintenance and Construction Cash Grants" means a lump-sum cash grant proposed to be made out of the proceeds of the Grant under Part 5(a) of the Project to a selected CDC, pursuant to a Maintenance and Construction Cash Grant Agreement meeting the requirements of Section I.C.3 of Schedule 2 to this Agreement.

20. "MOF" means the Recipient's Ministry of Finance, or any successor thereto.

21. "MRRD" means the Recipient's Ministry of Rural Rehabilitation and Development or any successor entity thereto.

22. "Operations Manual" means the operations manual, adopted by the Recipient, acceptable to the World Bank, which describes the detailed Project implementation and institutional arrangements for Project implementation, and such term includes any schedules or annexes to the Operations Manual including, inter alia, the Financial Management Manual, an Annex on the Maintenance and Construction Cash Grants and the Social Inclusion Grants, and the Project's monitoring indicators, provided, however, that in the event of a conflict between this Agreement and the Operations Manual, the provisions of this Agreement shall prevail.

23. "Oversight Consultant" means an international consulting firm, acceptable to the World Bank, referred to in Section I.A.4(c) of Schedule 2 to this Agreement.

24. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 6, 2016, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

26. "Resettlement Action Plan" or "RAP" means, individually, each of the Recipient's resettlement action plans, as may be required to be prepared in accordance with the RPF and Section I.G.2 of Schedule 2 to this Agreement, acceptable to the World Bank, 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 by agreement between the Recipient and the World Bank; and "Resettlement Action Plans" and "RAPs" means, collectively, all such plans.

27. "Resettlement Policy Framework" or "RPF" means the Recipient's resettlement policy framework adopted by MRRD and IDLG and disclosed on August 31, 2016, acceptable to the World Bank, 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, organizational arrangements, and design criteria to be applied to the 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 World Bank.

28. "Rural Area" means, for purposes of the Project, areas which fall within the geographical mandate of MRRD, and the term "Rural Areas" means the plural thereof.

29. "Rural Areas Service Standards Grant Agreement" means an agreement for a Rural Areas Service Standards Grant referred to in Section I.C.3 of Schedule 2 to this Agreement.

30. "Rural Areas Service Standards Grants" the grants made available by the Recipient, pursuant to a Rural Areas Service Standards Grant Agreement, to CDCs, established and operating in a Rural Area, out of the proceeds of the Grant in order to finance the cost of goods, works, and services for Sub-Projects under Part 1 (a) of the Project.

31. "Safeguards Instruments" means the Environmental and Social Management Framework, the Resettlement Policy Framework, the Environmental and Social Management Plan(s), the Resettlement Action Plan(s), and the Mine Risk-
Management Procedures, and such ancillary or supplemental documents as may be included therein.

32. "Social Inclusion Grant Agreement" means an agreement for a Social Inclusion Grant referred to in Section 1.C.3 of Schedule 2 to this Agreement.

33. "Social Inclusion Grant Plan" means a plan developed by each CDC and approved in accordance with the Operations Manual, to serve as the basis for identifying and prioritizing Social Inclusion Grant investments for Sub-Projects.

34. "Social Inclusion Grants" mean a lump-sum cash grant proposed to be made out of the proceeds of the Grant under Part 5(b) of the Project to a selected CDC, to provide community welfare support to ultra-vulnerable households, pursuant to a Social Inclusion Grant Agreement meeting the requirements of Section 1.C.3 of Schedule 2 to this Agreement.

35. "Sub-Project" means a rehabilitation or development project or scheme under Parts 1 and 5 of the Project, to be carried out either by a CDC (including a cluster of CDCs) or a GA (as the case may be) with the technical assistance of the IDLG PMUs or the Municipalities in the Urban Areas or the MRRD PMUs in the Rural Areas, which meets the eligibility criteria spelled out in the Operations Manual to receive financing under this Project.

36. "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.

37. "Urban Area" means, for purposes of the Project, areas which fall within the geographical mandate of IDLG, and the term "Urban Areas" means the plural thereof.

38. "Urban Areas Block Grant Agreement" means an agreement for an Urban Areas Block Grant referred to in Section 1.C.3 of Schedule 2 to this Agreement.

39. "Urban Areas Block Grants" means the grants made available by the Recipient, pursuant to an Urban Areas Block Grant Agreement, either to a CDC, established and operating in an Urban Area, or to a GA, out of the proceeds of the Grant in order to finance the cost of goods, works, and services for Sub-Projects under Part 1(b) of the Project.