His Excellency Eklil Ahmad Hakimi  
Minister of Finance  
Ministry of Finance  
Kabul, Islamic Republic of Afghanistan  

Excellency:

Re: ARTF Grant No. TF014861-AF  
(Naglu Hydropower Rehabilitation Project-Phase I)  
Additional Instructions: Disbursement

I refer to the Grant Agreement ("Agreement") between the Islamic Republic of Afghanistan (the "Recipient") and the International Development Association (the "World Bank"), acting as Administrator of the grant funds contributed by various donors to the Afghanistan Reconstruction Trust Fund ("Donors") for the above-referenced project, dated January 9, 2016. The Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds of ARTF Grant No. TF014861-AF ("Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four (4) months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.
II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1). Applications for this Grant will be signed by the official(s) authorized to sign Applications as indicated in your letter dated June 20, 2011. Whenever changes are necessary, a letter in the Form attached (Attachment 2) should be furnished to the World Bank at the address indicated below, providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Country Office  
Kabul, Afghanistan  
Attention: Country Director, Afghanistan

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank  
Country Office  
Kabul, Afghanistan  
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification credentials (“SIDC”) from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with SIDC for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of SIDC to Process Applications. By designating officials to use SDIC and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of SIDC”) provided in Attachment 3; and (b) to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for reimbursement, direct payment and special commitment is US$250,000.

(vi) Advances (sections 5 and 6).
- **Type of Designated Account(s) (subsection 5.3):** Segregated. One segregated designated account will be established for the Project and managed by the Special Disbursement Unit (SDU) in the Treasury Department of the Ministry of Finance.

- **Currency of Designated Account (subsection 5.4):** US$

- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Da Afghanistan Bank.

- **Ceiling (subsection 6.1):** US$5,000,000.

### III. Reporting on Use of Grant Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:**
  - Summary Sheet in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts for i) works valued at US$5,000,000; ii) good and non-consultancy services valued at US$500,000 or more per contract; iii) consulting firm valued at US$200,000 or more per contract; and iv) individual consultants valued at US$100,000 or more per contract; and
  - Statement of Expenditure in the form attached (Attachment 5) for all other contracts or expenditures.

- **For requests for Direct Payment:** Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices, consultant firm invoices, copy of bank guarantee (where required under the contract), individual consultant fee statement; For goods purchases, documents evidencing receipt of goods, etc.

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** On a monthly basis or a greater period not to exceed a quarter.

(iii) **Other Supporting Documentation Instructions:** Copies of bank statement of the Designated Account and Designated Account Reconciliation Statement (Attachment 6) should be attached to the Application for Withdrawal and/or documentation of the Designated Account.

### IV. Other Disbursement Instructions:

Further advance from the designated account for an amount up to US$15,000 or an amount acceptable to the World Bank may be made to another account of the Da Afghanistan Breshna Sherkat under this Project, as long as such further advances are accounted for within reasonable period of time or not to exceed 90 days.

### V. Important Information

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Dilip Kumar Prusty Chinari, Finance Analyst or Chau-Ching Shen, Senior Finance Officer at loasar@worldbank.org, using the above reference.

Yours sincerely,

Robert J. Saum

Robert J. Saum
Country Director for Afghanistan
South Asia Region

Attachments
2. Form for Authorized Signatures
4. Form of Summary Sheet
5. Form of Statement of Expenditure
6. Designated Account Reconciliation Statement

cc: Chief Operating Officer,
Da Afghanistan Breshna Sherkat
Kabul
Islamic Republic of Afghanistan

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan