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DOCUMENTS

GRANT NUMBER D7110-AF

Financing Agreement

(COVID-19 Relief Effort for Afghan Communities and Households (REACH) Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D7110-AF

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS:

(A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a grant, as provided in Section 2.01 of this Agreement, to assist in financing the Project, which supports the Recipient's Dastarkhan-e-Milli program; and

(B) the Recipient has also requested the Association, acting as administrator of the grant funds contributed by various donors to the Afghanistan Reconstruction Trust Fund, to provide assistance towards the financing of the Project, and make available a grant in an amount of one hundred twenty five million United States Dollars ($125,000,000) to assist in the financing of the Project, under a grant agreement between the Recipient and the Association ("Grant Agreement");

NOW THEREFORE, 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, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to one hundred twelve million seven hundred thousand Special Drawing Rights (SDR 112,700,000) ("Financing"), to assist in financing the 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 January 1 and July 1 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 in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following:

(a) the Operations Manual, acceptable to the Association, has been adopted and disclosed by the Recipient; and

(b) the Grant Agreement, dated the same date as this Agreement, between the Recipient and the Association, providing a grant in support of the Project, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.03. 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 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:

+93202103259

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:

Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF AFGHANISTAN

By _____

Authorized Representative

Name: ABDUL HADI ARGHANDIWAL

Title: ACTING MINISTER OF FINANCE

Date: August 27, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____

Authorized Representative

Name: HENRY KERALI

Title: COUNTRY DIRECTOR

Date: Aug 9, 2020

SCHEDULE 1

Project Description

The objective of the Project is to provide emergency support to selected households through communities in Project areas during the COVID-19 outbreak.

The Project consists of the following parts:

Part 1. REACH Rural – Household Support in Rural and Peri-urban Areas

Provision of relief support in the forms of food and hygiene products to selected households in rural and peri-urban areas, including nineteen (19) provincial capital cities and those outside the municipal boundaries of Kabul and the other provincial capital cities.

Part 2. REACH Urban – Household Support in Provincial Capital Cities

Provision of relief support in the forms of food and hygiene products and/or cash to selected households, including returnees living in settlement camps inside municipal boundaries, through CDCs and/or GAs in fourteen (14) provincial capital cities.

Part 3. REACH Kabul – Household Support in Kabul

Provision of relief support in the forms of food and hygiene products and/or cash transfer to selected households in Kabul.

Part 4. Project Management, Communication, and Monitoring

Provision of support for Project management and capacity building; dedicated strategic communications; and monitoring, including safeguard compliance for:

(a) MRRD;

(b) IDLG; and

(c) KM.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall maintain, at all times during the implementation of the Project, with a mandate, composition, and resources satisfactory to the Bank, the inter-ministerial task force, to: (a) be chaired by the First Vice President; (b) consist of representatives from the MOF, MOCI, IDLG, MRDD, NSIA, MOPH, KM, and other relevant stakeholders; and (c) be responsible for coordinating COVID-19 response efforts and overseeing the Project.

2. The Recipient shall:

   (a) cause:

      (i) MRRD to be responsible for the implementation of Part 1 of the Project;

      (ii) IDLG to be responsible for the implementation of Part 2 of the Project;

      (iii) KM to be responsible for the implementation of Part 3 of the Project;

   (b) take, or cause to be taken, all actions, including the provision of funding, personnel and other resources, to enable MRRD, IDLG, and KM to perform their respective functions under the Project, including:

      (i) maintaining, at all times during the implementation of the Project, the implementation arrangements for CCAP, including the CCAP PIU and Facilitating Partners, acceptable to the Association, with sufficient resources and staff in adequate numbers, with qualifications and terms of reference satisfactory to the Association, for the implementation of Parts 1, 2, 4(a), and 4(b) of the Project;

      (ii) maintaining, at all times during the implementation of the Project, the institutional arrangements for EZ-Kar, including the IDLG-EZ-Kar PIU and Facilitating Partners, acceptable to the Association, with sufficient resources and staff in adequate numbers, with qualifications and terms of reference satisfactory to

the Association, for the implementation of Parts 2 and 4(b) of the Project; and

(iii) maintaining, at all times during the implementation of the Project, the KM-KMDP-PIU and Facilitating Partners, with sufficient resources and staff in adequate numbers, with qualifications and terms of reference satisfactory to the Association, for the implementation of Parts 3 and 4(c) of the Project; and

(c) ensure close coordination with the Afghanistan Humanitarian Country Team.

B. Implementation Arrangements

1. The Recipient shall adopt, and thereafter implement the Project in accordance with the requirements and procedures set forth in the Operations Manual and the Financial Management Manual; and shall not amend, delete or waive any provision of the Operations Manual or the Financial Management Manual without prior written agreement between the Recipient and the Association. In the event of any conflict between the provisions of the Operations Manual and/or the Financial Management Manual on one hand and the provisions of this Agreement on the other hand, the provisions of this Agreement shall prevail.

2. The Recipient shall ensure that the Project staff is recruited and maintained as needed during the entire period of the Project implementation in strict compliance with the requirements of the detailed hiring procedure agreed upon between the Recipient and the Association.

3. The Recipient shall ensure that the collection, use and processing (including transfers to third parties) of any personal data collected under this Project will be done in accordance with best practice ensuring legitimate, appropriate, and proportionate treatment of such data.

C. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:

(a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;

(b) sufficient funds are available to cover the costs of implementing the ESCP;

(c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

(d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

4. The Recipient shall ensure that:

(a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

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 calendar quarter, covering the calendar 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) Food Grants under Part 1 of the Project	1,500,000	1.6%
(2) Food Grants and Cash Grants under Part 2 of the Project	36,400,000	100%
(3) Food Grants and Cash Grants under Part 3 of the Project	53,000,000	100%
(4) Goods, non-consulting services, consulting services, and Incremental Operating Costs for the Project	20,000,000	100%
(5) Project Implementation Staff	1,800,000	100%
TOTAL AMOUNT	112,700,000	

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, except that withdrawals up to an aggregate amount not to exceed SDR 2,308,000 may be made for payments made prior to this date but on or after June 1, 2020, for Eligible Expenditures under the Project; or

(b) under Category (3) for Food Grants and Cash Grants until the Recipient, through KM, has successfully implemented the management information system, acceptable to the Association, to register and record payments.

2. The Closing Date is December 31, 2021.

APPENDIX

Definitions

1. "AFA" means Afghani, the Recipient's lawful currency.

2. "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.

3. "Cash Grant" means a cash grant in the amount of AFA 4,000 for each tranche to be provided to a selected household under Parts 2 and 3 of the Project, and "Cash Grants" means, collectively, all such grants.

4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. "CCAP" or "Citizens' Charter Afghanistan Project" means the Recipient's project financed by the Association under the financing agreement between the Recipient and the Association dated December 6, 2016, as amended (Grant No. D1390-AF).

6. "CCAP-PIU" means implementation structure, namely the project implementation unit(s), established and functional under CCAP, which has been agreed by and between the Recipient and the Association to assist in carrying out Parts 1, 2, 4(a), and 4(b) of the Project.

7. "CDC" or "Community Development Council" means a community-based decision-making body, formal or ad-hoc, that includes a chairperson, vice-chairperson, secretary, and treasurer, and is responsible for, *inter alia*, preparing the list of beneficiaries/selected households, the request for Food Grants and/or Cash Grants for selected households, and implementation and management of activities under Parts 1 and 2 of the Project; and "CDCs" means, collectively, all such CDCs.

8. "COVID-19" means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).

9. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated July 19, 2020, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and

measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

10. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Association.

11. "EZ-Kar" means Recipient's project financed by the Association under the financing agreement between the Recipient and the Association dated February 6, 2019, as amended (Grant No. D416-AF).

12. "Facilitating Partners" means international and/or national non-governmental organizations and agencies, as well as the United Nations agencies, contracted under CCAP to assist in the carrying out of the Project.

13. "Financial Management Manual" means the financial management manual for the Project, acceptable to the Association, which manual provides for the financial management obligations under the Project, as such manual may be amended from time to time by written agreement between the Recipient and the Association.

14. "Food Grant" means an in-kind grant (food and hygiene products) in the amount of AFA 4,000 equivalent for each tranche to be provided to selected households under Parts 1, 2, and 3 of the Project; and "Food Grants" means, collectively, all such grants.

15. "GA" or "Gozar Assembly" means a formal or ad-hoc representation of a cluster of households operating in the urban areas of the Recipient's territory and referred to in the Operations Manual; and "GAs" means, collectively, all such GAs.

16. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018.

17. "IDLG" or "Independent Directorate of Local Governance" means the Recipient's independent directorate responsible for local governance, or any successor thereto.

18. "IDLG-EZ-Kar PIU" means the implementation structure, namely the project implementation unit(s), established and functional in IDLG under EZ-Kar, which has been agreed by and between the Recipient and the Association to assist in carrying out Parts 2 and 4(b) of the Project.

19. "Incremental Operating Costs" means the reasonable Project-related incremental expenses incurred on account of Project implementation, management, and monitoring, including the rental of office space; operation, maintenance, rental and insurance of vehicles; fuel; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; travel and per diem; and remuneration of the Project Implementation Staff.

20. "Kabul" means the capital city of the Recipient, which is governed under Kabul Municipality.

21. "KM" or "Kabul Municipality" means the municipality of Kabul, established and operating under the laws of the Recipient, or any successor thereto.

22. "KMDP" or "Kabul Municipal Development Program" means the Recipient's project (Grant No. TF017016).

23. "KM-KMDP-PIU" means the implementation structure, namely the project implementation unit, established and functional under KMDP.

24. "MOCI" or "Ministry of Commerce and Industry" means the Recipient's ministry responsible for commerce and industry, or any successor thereto.

25. "MOF" or "Ministry of Finance" means the Recipient's ministry responsible for finance, or any successor thereto.

26. "MOPH" or "Ministry of Public Health" means the Recipient's ministry responsible for public health, or any successor thereto.

27. "MRRD" or "Ministry of Rural Rehabilitation and Development" means the Recipient's ministry responsible for rural rehabilitation and development, or any successor thereto.

28. "NSIA" or "National Statistics and Information Agency" means the Recipient's agency responsible for national statistics and information, or any successor thereto.

29. "Operations Manual" means the operations manual, to be adopted and disclosed by the Recipient, acceptable to the Association, which describes the detailed

Project implementation and institutional arrangements for Project implementation, including the eligibility criteria and selection of Project beneficiaries and procedures for food procurement and/or cash distribution and the budget allocation for MRRD, IDLG, and KM, and such term includes any schedules or annexes to the Operations Manual, provided, however, in the event of a conflict between this Agreement and the Operations Manual, the provisions of this Agreement shall prevail.

30. "Personal Data" means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.

31. "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 and August 2018.

32. "Project Implementation Staff" means additional staff recruited by the Recipient for the purposes of the Project implementation on a contractual and temporary basis in compliance with the detailed hiring procedure agreed upon between the Recipient and the Association, and such term does not include any members of the Recipient's civil service.

33. "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.

34. "United Nations" means the international organization, established and operating pursuant to the 1945 Charter of the United Nations.