Aug 12, 2012

His Excellency Hazrat Omar Zakhilwal
Minister of Finance
Ministry of Finance
Kabul
Islamic Republic of Afghanistan

Excellency:

Re: IDA Financing Agreement H3540-AF
(Second Education Quality Improvement Project)
Additional Instructions: Disbursement (First Amendment)

I refer to the Financing Agreement between the Islamic Republic of Afghanistan (the "Recipient") and the International Development Association (the "Association") for the above-referenced project, dated March 10, 2008. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of the grant No. IDA H3540 ("Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions and replaces the Disbursement Letter issued on March 10, 2008 by revising the Supporting Documentation requirements, as set out in paragraph III (i) below.

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 Financing 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 Financing:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is six (6) months after the Closing Date specified in the Financing Agreement. Any changes to this date will be notified by the Association.

II. Withdrawal of Financing Proceeds

(i) Authorized Signatures (subsection 3.1). Applications for this Financing 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 Association
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: Loan Department

(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 Association may permit the Recipient to electronically
deliver to the Association Applications (with supporting documents) through the Association’s Client
Connection, web-based portal. The option to deliver Applications to the Association 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 devices ( " Tokens " ) from the Association 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 Association agrees, the Association will provide the Recipient with Tokens 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.or
). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association 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 Tokens to Process Applications. By designating officials to accept
Tokens 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 Devices in connection with Use of Electronic Means to Process Applications and
Supporting Documentation ( " Terms and Conditions of Use of Tokens " ) provided in Attachment 3; and
(b) to deliver the Terms and Conditions of Use of Tokens to each such official and 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$ 200,000.

(vi) Advances ( sections 5 and 6 ).

• Type of Designated Account (subsection 5.3): Segregated. One segregated designated account
will be established for the Project and managed by the Special Disbursement Unit in the Treasury Department of the Ministry of Finance.

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• **Currency of Designated Accounts (subsection 5.4):** US$.

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

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

• **Transfer (advances) to other Government Accounts:** Authorized.

### III. Reporting on Use of Financing 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) goods valued at US$200,000 or more per contract; ii) works valued at US$500,000 or more per contract; iii) consulting firm valued at US$100,000 or more per contract; and iv) individual consultants valued at US$50,000 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 for replenishment of the designated account.

### V. Other Important Information


If you have not already done so, the Association recommends that you register as a user of the Client Connection website ([https://clientconnection.worldbank.org](https://clientconnection.worldbank.org)). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Financing, 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 Association by email at <clientconnection@worldbank.org>.

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

Yours sincerely,

Robert J. Saum
Country Director for Afghanistan
South Asia Region

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Form of Summary Sheet
5. Form of Statement of Expenditure
6. Designated Account Reconciliation Statement
Cc with copies:

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