Re: AFGHANSTAN: Grant No. D1400-AF  
(Second Additional Financing for the Financial Sector  
Rapid Response Project)  
Section 5.01 of the General Conditions  
Financial and Economic Data

Dear Sirs and Mesdames:

In connection with the Second Additional Financing Agreement of this date between  
Islamic Republic of Afghanistan (the Recipient) and International Development Association (the  
Association) for the above-captioned Project, and the General Conditions (General Conditions)  
made applicable to the Financing Agreement, I am writing on behalf of the Recipient to set forth  
the following:

1. We understand and agree that, for purposes of Section 5.01 of the General Conditions, the  
Recipient is required by the Association:

(a) to report "long-term external debt" (as defined in the World Bank's Debtor  
Reporting System Manual, dated January 2000 (DRSM)), in accordance with the  
DRSM, and in particular, to notify the Association of new "loan commitments" (as  
defined in the DRSM) not later than 30 days after the end of the quarter during  
which the debt is incurred, and to notify the Association of "transactions under  
loans" (as defined in the DRSM) once a year, not later than March 31 of the year  
following the year covered by the report; and

(b) to: (i) notify the Association at least three months prior to incurring any non-  
concessional long-term external debt, of its intention to incur such debt, together  
with the proposed terms of such debt; and (ii) afford the Association a reasonable  
opportunity to exchange views with the Recipient on the matter. For purposes of  
this paragraph, "non-concessional long-term external debt" means any long-term  
external debt (as defined in the DRSM), but excluding private debt (as so defined),  
with an estimated grant element (GE) calculated in the manner published from time  
to time by the Association (see, www.worldbank.org/ida under "reports") of less  
than (i) 35% or (ii) the GE for determining concessionality established by the  
International Monetary Fund in any Poverty Reduction and Growth Facility  
arrangement or Policy Support Instrument with the Recipient in effect at the time  
of such notice, whichever is higher.
2. We represent that no defaults exist in respect of any external debt (as defined in the DRSM) incurred after January 1, 2002, or to any International Finance Institution. Due to lost and destroyed records, we do not have a complete inventory of the Recipient’s debt obligations in connection with external public debt incurred prior to January 1, 2002, including external debt owed to creditors other than International Finance Institutions. We have commenced the process of regularizing this situation and undertake to report to the Association, on a regular basis, on the status of the Recipient’s discussions with creditors. We also undertake to report to the Association, in a timely manner, all information relative to the Recipient’s external debt as will become available from time to time. In connection with external public debt incurred in the course of calendar year 2002, we will be submitting to the Association a Debtor Reporting System report at our earliest convenience. It is our understanding that, in making the Financing, the Association may rely on the representations set forth or referred to in this letter.

3. Please confirm your agreement to the foregoing by having a duly authorized representative of the Association sign in the space provided below.

Very truly yours,

ISLAMIC REPUBLIC OF AFGHANISTAN

[Signature]

By

Authorized Representative

AGREED:

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

By

Authorized Representative