H.E. Hazrat Omar Zakhilwal  
Minister of Finance  
Ministry of Finance  
Pashtunistan Watt  
Kabul  
Islamic Republic of Afghanistan  

Afghanistan: Urban Water Sector Project  
(Grant No. H225-AF)  
Amendment to Financing Agreement

Excellency:


We also refer to your letter dated February 22, 2014 requesting the Association to create a single disbursement category, and to eliminate monetary thresholds without changing the percentages allocated for disbursements against operating costs.

This letter supersedes my letter to you of March 3, 2014.

We are pleased to inform you that the Association concurs with the request, and accordingly amends the Financing Agreement, as follows:

1. Part 2, Schedule 1 is amended to read as follows:

“Part 2: Financial Support to AUWSSC

Strengthening of the newly created AUWSSC, through the provision of financial support, including payment of: (i) operations and maintenance costs including salaries of non-managerial staff; and (ii) salaries of managerial staff.”

2. The table in Section IV.A.2 of Schedule 2 is amended to read as set forth in the attachment to this amendment letter.

All other provisions of the Financing Agreement, except as amended herein, remain unchanged.

Please confirm your agreement to the foregoing by signing the form of confirmation set forth below and returning one fully executed original of this amendment letter to us and retaining one original for your records. This amendment letter shall become effective as of the date of countersignature.
Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

Ilangovan Patchamuthu
Acting Country Director, Afghanistan
South Asia Region

CONFIRMED and AGREED:

ISLAMIC REPUBLIC OF AFGHANISTAN

By: __________________________
Name: Dr. Omar Zakhilwal
Title: Minister of Finance
Date: March 28, 2014
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services and training under Part 1 of the Project, and audit costs</td>
<td>2,622,520.32</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operations and maintenance costs including salaries of non-managerial staff under Part 2(i) of the Project</td>
<td>1,764,192.76</td>
<td>45% of expenses incurred in FY2010 (March 21, 2009 to March 20, 2010) within the limit of US$1.6 million equivalent, 40% of expenses incurred in FY2011 (March 21, 2010 to March 20, 2011) within the limit of US$1.5 million equivalent, 40% expenses incurred within the limit of US$2.0 million equivalent per year in FY2012 (March 21, 2011 to March 20, 2012), FY2013 (March 21, 2012 to March 20, 2013).</td>
</tr>
<tr>
<td>(3) Salaries of managerial staff under Part 2 (ii) of the Project</td>
<td>774,116.85</td>
<td>100% of expenses incurred within the limit of US$400,000 equivalent per year in FY2010, FY2011 and FY2012, and US$1.0 million equivalent per year in FY2013.</td>
</tr>
<tr>
<td>(4) Bonuses of managerial staff under Part 2 (iii) of the Project (Now Cancelled)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(5) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(6) Goods, works, consultants' services and training under Part 1 of the Project, and audit costs; Operations and maintenance costs including salaries of non-managerial staff under Part 2(i) of the Project; and Salaries of managerial staff under Part 2(ii) of the Project.</td>
<td>7,075,170.07</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Amount Cancelled on May 30, 2010</td>
<td>15,664,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>27,900,000</td>
<td></td>
</tr>
</tbody>
</table>