Financing Agreement

(Incentive Program Development Policy Grant)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 as set forth or referred to in this Agreement, in an amount equivalent to Sixty-Two Million Six Hundred Thousand Special Drawing Rights (SDR 62,600,000) ("Financing").

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Payment Dates are March [15] and September [15] in each year.

2.04. The Payment Currency is Dollar.

2.05. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.
ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient’s macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken or to be taken under the Program, including any action specified in Section I of Schedule I to this Agreement or in Section I of Schedule I to the Grant Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 30 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient’s macroeconomic policy framework.

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

5.03. 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 (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance.

6.02. The Recipient’s Address is:

    Ministry of Finance  
    Pashtunistan Watt  
    Kabul  
    Islamic Republic of Afghanistan  

    Facsimile:  
    +93-20-210-3259

6.03. The Association’s Address is:

    International Development Association  
    1818 H Street, N.W.  
    Washington, D.C. 20433  
    United States of America  

    Facsimile:  
    +1-202-477-6391
AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

Authorized Representative

Name: Prof. Mohammad Humayon Qayoomi

Title: Acting Minister

30, July 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Shubham Chaudhuri

Title: Country Director

July 30, 2018
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient’s Cabinet has approved and submitted to the National Assembly an amendment of the Civil Servants Law that: (i) establishes a career track for specialist staff; (ii) enables positive gender discrimination within civil service appointments; (iii) introduces merit-based and tailored recruitment into the civil service; (iv) establishes Deputy Minister positions within the civil service framework; and (v) enables transfers, sanctions, transparent grievance redress, and civil service renewal.

2. The Recipient’s Cabinet has issued and published the Regulation on Managing Affairs of Informal Urban Properties allowing for the distribution of Property Documents to occupants of informal settlements in urban areas.

3. The Recipient’s Cabinet has approved and submitted to the National Assembly an insolvency law which adequately addresses insolvency proceedings, reorganization provisions for insolvent companies, creditor rights, and treatment of insolvency in viable businesses.

Section II. Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>62,600,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>62,600,000</td>
</tr>
</tbody>
</table>
C. Withdrawal Tranche Release Conditions.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.

D. Deposit of Financing Amounts.

1. The Recipient shall ensure that: [(a) all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and (b) upon each deposit of an amount of the Financing into said account, an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

Within thirty (30) days after the withdrawal of the Financing from the Financing Account, the Recipient shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Afghani/AFN equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Closing Date. The Closing Date is May 15, 2019.
APPENDIX

Definitions

1. “Afghani” or “AFN” means the Recipient’s currency.

2. “ARAZI” means Recipient’s Independent Land Authority established as an independent government agency through the Council of Ministers’ resolution number 11, dated May 25, 2013 to be responsible for land management.

3. “Cabinet” means the Recipient’s cabinet, under the supervisory authority of the Recipient’s President, and constituted of the heads of all government ministries and independent agencies/institutions/directorates as prescribed by the Recipient’s Constitution, which is responsible for, inter alia, approval of the policies and regulations and approval and submission of legislative instruments to the National Assembly.


6. “Grant Agreement” means the agreement of even date herewith, entered into by the Islamic Republic of Afghanistan with the International Development Association (IDA) acting as administrator of the Afghanistan Reconstruction Trust Fund, whereby IDA as said administrator agrees to provide financial support to the Program.

7. “Ministry of Finance” or “MoF” means the Recipient’s Ministry of Finance, or any successor thereto.

8. “National Assembly” means the Recipient’s national representative body having supreme legislative powers.

9. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 21, 2018 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken or to be taken, including those set forth in Section I of Schedule 1 to this Agreement as well as those set forth in Section I of Schedule 1 to the Grant Agreement, and actions to be taken consistent with the Program’s objectives.
10. "Property Document" or "Sanad-e-Mulkyat" means a document to be granted to the occupant of an informal urban settlement by Recipient's ARAZI in accordance with Article one hundred twelve (112) of the Recipient's Land Management Law, published in the Official Gazette (1254, dated April 15, 2017).


12. "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.

13. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.