Excellency:

Re: Afghanistan Reconstruction Trust Fund No. B0377, 2019 Incentive Program Development Policy Operation, Amendment No. 1 to the Grant Agreement

We refer to the Afghanistan Reconstruction Trust Fund ("ARTF") Grant Agreement dated July 1, 2019 between the Islamic Republic of Afghanistan (the "Recipient") and the International Development Association (the "World Bank"), acting as administrator of the ARTF, (the "Grant Agreement") for the above referenced operation (the "Operation").

We also refer to the Operation’s Agreed Minutes of Negotiations, which reflect the understanding that, whereas the Grant Agreement provides a grant of sixty million United States Dollars ($60,000,000) out of the three hundred million United States Dollars ($300,000,000) allocated by the ARTF for the Operation, the Grant Agreement may be amended from time to time to provide additional grant, which shall accumulate to not more than the total amount allocated by the ARTF for the Operation.

We are pleased to inform you that the World Bank proposes to amend the Grant Agreement as set forth below.

I. Section 3.01 is amended to read as follows:

"The Bank agrees to extend to the Recipient a grant in an amount not to exceed one hundred fifty million United States Dollars ($150,000,000) ("Grant")."

II. Section 1A of Schedule 1 is hereby amended by adding sub-sections 3, 4, and 5 as follows:

3. To improve land administration, Recipient’s Supreme Court and MUDL sign a protocol, transferring responsibility for deed registration to MUDL in at least one province.

4. To improve public investment management, Recipient’s circular for its 2020 budget: i) includes detailed guidelines on financial, economic, and gender analysis; and ii) specifies that no new project proposal of greater than seven million five hundred thousand United States Dollars ($7,500,000) will be approved for further appraisal through the discretionary budget for 2020 without strategic fit analysis and that no new project of greater than seven million five hundred thousand United States Dollars ($7,500,000) will be approved for implementation without project appraisal including financial, economic, and gender analysis.

5. To improve the quality of public expenditure, Recipient’s budget circular mandates the use of revised norms for vehicles and buildings in at least four pilot ministries in preparing the 2020 budget."
III. Section II.B of Schedule I is amended to read as follows:

"B. Allocation of the Grant Amounts. The Grant is allocated in five (5) withdrawal tranches, for which the Recipient may make withdrawals of the Grant proceeds. The allocation of the amounts of the Grant to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) First Withdrawal Tranche</td>
<td>30,000,000</td>
</tr>
<tr>
<td>(2) Second Withdrawal Tranche</td>
<td>30,000,000</td>
</tr>
<tr>
<td>(3) Third Withdrawal Tranche</td>
<td>30,000,000</td>
</tr>
<tr>
<td>(4) Fourth Withdrawal Tranche</td>
<td>30,000,000</td>
</tr>
<tr>
<td>(5) Fifth Withdrawal Tranche</td>
<td>30,000,000</td>
</tr>
<tr>
<td>TOTAL. AMOUNT</td>
<td>150,000,000</td>
</tr>
</tbody>
</table>

IV. Section II.C.1 of Schedule I is hereby amended by adding subsections (c), (d), and (e) as follows:

"(c) Third Withdrawal Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement: (i) with the evidence submitted to demonstrate fulfillment of the action referred to in Section I.A.3. of this Schedule I; (ii) with the Program being carried out by the Recipient; and (iii) with the adequacy of the Recipient’s macroeconomic policy framework.

(d) Fourth Withdrawal Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement: (i) with the evidence submitted to demonstrate fulfillment of the action referred to in Section I.A.4. of this Schedule I; (ii) with the Program being carried out by the Recipient; and (iii) with the adequacy of the Recipient’s macroeconomic policy framework.

(e) Fifth Withdrawal Tranche unless the Bank is satisfied, after an exchange of views as described in Sections 3.01 (a) and (b) of this Agreement: (i) with the evidence submitted to demonstrate fulfillment of the action referred to in Section I.A.5. of this Schedule I; (ii) with the Program being carried out by the Recipient; and (iii) with the adequacy of the Recipient’s macroeconomic policy framework."

V. Section I of the Appendix is hereby amended by adding definition of the following terms in the appropriate alphabetical order and by renumbering the remaining definitions accordingly:

"5. "Fifth Withdrawal Tranche" means the amount of the Grant allocated to Category (5) in the table set forth in Part B of Section II of Schedule I to this Agreement; which amount will: (a) decrement by 10% per month, in the event the action referred to Section I.A.5. of Schedule I to this Agreement is not fulfilled by November 15, 2019; and (b) reach a zero balance by the Closing Date, in the event the action referred to Section I.A.5. of Schedule I to this Agreement remains unfulfilled by said date."

"7. "Fourth Withdrawal Tranche" means the amount of the Grant allocated to Category (4) in the table set forth in Part B of Section II of Schedule I to this Agreement; which amount will: (a) decrement by 10% per month, in the event the action referred to Section I.A.4. of Schedule I to this Agreement is not fulfilled by November 15, 2019; and (b) reach a zero balance by the Closing Date, in the event the action referred to Section I.A.4. of Schedule I to this Agreement remains unfulfilled by said date."

"8. "Third Withdrawal Tranche" means the amount of the Grant allocated to Category (3) in the table set forth in Part B of Section II of Schedule I to this Agreement; which amount will: (a) decrement by 10% per month, in the event the action referred to Section I.A.3. of Schedule I to this Agreement is not fulfilled by November 15, 2019; and (b) reach a zero balance by the Closing Date, in the event the action referred to Section I.A.3. of Schedule I to this Agreement remains unfulfilled by said date."

"9. "Second Withdrawal Tranche" means the amount of the Grant allocated to Category (2) in the table set forth in Part B of Section II of Schedule I to this Agreement; which amount will: (a) decrement by 10% per month, in the event the action referred to Section I.A.2. of Schedule I to this Agreement is not fulfilled by November 15, 2019; and (b) reach a zero balance by the Closing Date, in the event the action referred to Section I.A.2. of Schedule I to this Agreement remains unfulfilled by said date."

"10. "First Withdrawal Tranche" means the amount of the Grant allocated to Category (1) in the table set forth in Part B of Section II of Schedule I to this Agreement; which amount will: (a) decrement by 10% per month, in the event the action referred to Section I.A.1. of Schedule I to this Agreement is not fulfilled by November 15, 2019; and (b) reach a zero balance by the Closing Date, in the event the action referred to Section I.A.1. of Schedule I to this Agreement remains unfulfilled by said date."
Date: in the event the action referred to Section I.A.4. of Schedule 1 to this Agreement remains unfulfilled by said date.

"15. "Third Withdrawal Tranche" means the amount of the Grant allocated to Category (3) in the table set forth in Part B of Section II of Schedule 1 to this Agreement; which amount will: (a) decrement by 10% per month, in the event the action referred to Section I.A.3. of Schedule 1 to this Agreement is not fulfilled by November 15, 2019; and (b) reach a zero balance by the Closing Date, in the event the action referred to Section I.A.3. of Schedule 1 to this Agreement remains unfulfilled by said date.

Except as specifically amended in this letter, all other terms and conditions of the Grant Agreement shall remain in full force and effect.

Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the form of confirmation set forth below and returning one fully countersigned original of this amendment letter to us and retaining one original for your records.

Upon receipt by the World Bank of the countersigned original of this amendment letter, this amendment letter shall become effective as of the date of the countersignature.

Sincerely,

Henry G. R. Kerali
Country Director, Afghanistan
South Asia Region

AGREED
ISLAMIC REPUBLIC OF AFGHANISTAN

By:
Authorized Representative

Name: H.E. Mohammad Hamayon Qayoumi
Title: Minister of Finance
Date: October 05, 2019