H.E. Hazrat Omar Zakhilwal  
Acting Minister of Finance  
Ministry of Finance  
Islamic Republic of Afghanistan  
Kabul, Afghanistan

Excellency:

Afghanistan: Second Sustainable Development of Natural Resources Project  
(Grant Number H699-AF)  
Amendment to Financing Agreement

I refer to the Financing Agreement dated July 16, 2011 between the Islamic Republic of Afghanistan (the “Recipient”) and the International Development Association (the “Association”) for the above-referenced project (the “Financing Agreement”), pursuant to which the Association extended to the Recipient the above-referenced grant for an amount equivalent to SDR 32,800,000 (the “Grant”). I also refer to your letters dated August 6, 2014 (No. 23310323) and August 25, 2014 (No. 23310411) requesting an amendment to the Financing Agreement and cancellation of SDR 5,907,000 (US $9 million equivalent) of the Grant to eliminate duplication and realign the project to address the Recipient’s priorities in the sector, and recommitment of the cancelled funds to other purposes in Afghanistan.

I am pleased to confirm that after due consideration, the Association has agreed with your request and hereby (a) cancels an amount of SDR 5,907,000 (US $9 million equivalent) from Grant Number H699-AF, effective as of August 31, 2014, the date that the Association received the Recipient’s letter of request, and (b) amends the Financing Agreement as follows:

1. The Project Description in Schedule 1 is amended to read as set out in the Attachment to this letter, and all references to Parts of the Project are renumbered accordingly.

2. The withdrawal table set out in Section IV.A.2 of Schedule 2 is amended to read as follows:

<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, non-consulting services, consultants’ services,</td>
<td>26,893,000</td>
<td>100%</td>
</tr>
<tr>
<td>Incremental Operating Costs and Training for the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancelled as of August 31, 2014</td>
<td>5,907,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>32,800,000</td>
<td></td>
</tr>
</tbody>
</table>
3. Paragraph 18 of the Appendix is deleted in its entirety and the following paragraphs are renumbered accordingly.

Except as specifically amended by this amendment letter, all other provisions of the Financing Agreement shall remain in full force and effect.

Please confirm your agreement to the amendments set out above by having an authorized representative of the Recipient sign and date the form of confirmation on the enclosed duplicate original of this letter and returning it to us for our files. Upon receipt of the copy of this letter countersigned on behalf of the Recipient, this amendment letter shall, other than the cancellation of the part of the Grant (which is effective as of August 31, 2014), become effective as of the date of the countersignature.

Sincerely,

Robert J. Saum
Country Director for Afghanistan
South Asia Region

Confirmed and agreed:

ISLAMIC REPUBLIC OF AFGHANISTAN

Signature: [Signature]
Name: M. Mustafa Mansoor
Title: Acting Minister of Finance
Date: [Date]

cc: H. E. Nasir Ahmad Durani, Acting Minister of Mines and Petroleum, MoMP
Dr. Muhammad Mustafa Mansoor, Deputy Minister of Finance, MoF
Mr. Muheb Jabarkhail, Aid Effectiveness Specialist, MoF
Mr. Haroon Naim, Director of SDNRP II, MoMP
Mr. Mohammad Khalid Payenda, Senior Advisor to the Acting Minister of Finance, MoF

Mr. Nasir Mahmood Khosa, Executive Director for Afghanistan, the World Bank
Mr. Samiullah Ibrahimi, Advisor to the Executive Director, the World Bank
ATTACHMENT

SCHEDULE 1

Project Description

The Project consists of the following parts:

Part A: Award of Contracts and Licenses

1. Development of sector policy frameworks and collection of data to provide input into relevant transport corridor policy options and related feasibility studies.

2. Provision of support to MoM through: (i) the establishment of a secretariat of the Inter-Ministerial Committee; (ii) continued advisory assistance from the International Advisory Panel; and (iii) assistance in the tendering process of the Hajigak iron ore deposit.

3. Provision of support to the Afghan Geological Survey to develop a geo-database and carry out new geological surveys of minerals.

Part B: Regulation and Monitoring of Operations

1. Supporting the implementation of a licensing system by providing computer software, capacity building and training staff of MoM.

2. Strengthening MoM and NEPA’s inspection and contract compliance monitoring functions through: (i) training of inspectors; (ii) establishing of a contract compliance office; (iii) providing in-depth support for monitoring the Aynak and Hajigak developments; and (iv) preparing effective environmental and social regulatory frameworks and developing a national directive for the use of explosives.

3. Improving the business environment and commencing the reform process for state mineral enterprises by preparing plans to restructure them into corporations.

4. Supporting the implementation of the EITI through: (i) drafting, publishing and disseminating independently reconciled EITI reports; and (ii) training the MSG representatives on implementing the EITI.

Part C: Preservation of Aynak antiquities and support for alternative livelihoods through sustainable ASM

1. Supporting the implementation of the Archaeological Recovery and Preservation Plan of the Aynak antiquities.

2. Supporting the development of ASM through: (i) the establishment of an ASM Directorate within MoM; and (ii) the provision of training to the staff of the said ASM Directorate.
3. Provision of support to the establishment of a gemstone school, preparation of marketing studies and technical assistance to improve market access for women in the gemstone trade, creating opportunities for women’s employment in the industry and provision of incentives for promotion of local artisan crafts, especially by women at Mes Aynak.

4. Provision of training to the ASM communities and mining cooperatives on efficient and environmental safe working methods.

**Part D: Project Implementation Support**

Support to the PMU in Project implementation, particularly in the areas of monitoring and evaluating Project activities, complying with fiduciary and safeguards requirements, public information disclosure and regulated public consultation processes.
H.E. Hazrat Omar Zakhilwal

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December 01, 2014

Drafted by: Michael Stanley
Cleared with: CTRLN

Bcc: Afghanistan CMU; P. De Sa; C. Shen; JC. Alvarez; M. Port; E. Mikhaylova; M. Stanley; N. Arfah; E. Shamsi; A. Noorzad

Institutional files: WBDocs