Financing Agreement

(Public-Private Partnerships and Public Investment Advisory Project)

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"). The Recipient and the Association 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, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to thirteen million eight hundred thousand Special Drawing Rights (SDR 13,800,000) ("Financing"), to assist in financing the project described in Schedule I to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

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

2.04. The Payment Dates are March 15 and September 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MOF in accordance with the
provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — TERMINATION

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

4.02. 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 years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance
Pashtunistan Watt
Kabul, Islamic Republic of Afghanistan; and

Facsimile:
+93202103258

5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

Facsimile:
1-202-477-6391
AGREED as of the Signature Date.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

[Signature]

Authorized Representative

Name: Prof. Mohammad Humayon Qayoumi
Title: Acting Minister
Date: July 30, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Shubham Chaudhuri
Title: Country Director
Date: July 30, 2018
SCHEDULE I

Project Description

The objective of the Project is to develop a pipeline of feasible private and publicly funded projects.

The Project consists of the following parts:

Part 1: Strengthening Institutional and Technical Capacity

Strengthening the capacity of relevant institutions and supporting development of a PIM-PPP Framework through, inter alia: (i) development of standardized project appraisal documents; (ii) capacity building programs (iii) review and revision of relevant laws and regulations (iv) development of rules of procedure to the Public Private Partnership Law; (v) preparation of relevant fiscal commitments and contingent liabilities framework; (vi) financing resident advisors; (vii) strengthening project preparation appraisal in CPA and selected ministries; and (viii) awareness building campaign.

Part 2: Infrastructure Project Preparation Facility

Supporting establishment and operation of an Infrastructure Project Preparation Facility, including development of its governance structure, institutional roles and responsibilities, through:

(i) capacity building activities;

(ii) provision of initial funding for its: (a) Appraisal Window to finance pre-feasibility studies for all publicly-funded or PPP projects as well as feasibility studies for publicly-funded projects (including environmental and social safeguards assessments necessary at the feasibility stage), and; (b) Project Development Fund Window to finance feasibility studies, detailed design, environmental and social safeguards documents, where needed, and tender documents, for potential PPP projects.

Part 3: Project Management

Supporting the operation of the PMU to carry out its monitoring, management and implementation obligations under the Project until it is mainstreamed into Afghan civil service.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall establish and maintain throughout the implementation of the Project:

(a) a project management unit within MOF’s regular structure, housed within the CPA, headed by a Director General, with mandate, composition, staffing and terms of reference acceptable to the Association, to be responsible for the overall coordination and monitoring of the implementation of the Project in accordance with the provisions of this Agreement, including, inter alia, reporting, monitoring and evaluation, social and environmental management, procurement, financial management, and audit and disbursements, as well as coordination with relevant line ministries;

(b) the relevant Council, with mandate, composition, staffing and terms of reference acceptable to the Association, to be responsible for overseeing the PPP program and offer strategic direction to the Project and the PMU, including, reviewing progress reports and resolving implementation bottlenecks and advising the PMU on prioritizing PPP proposals received by the CPA and other line ministries; and

(c) the Focal Points, with mandate, composition, staffing and terms of reference acceptable to the Association, to be responsible for developing PPP proposals and ensuring documentation compliance.

2. The Recipient, through MOF, shall prepare and adopt by not later than three (3) months after the Effective Date and thereafter maintain throughout the period of implementation of the Project the Financial Management Manual.

3. The Recipient, through MOF, shall prepare and adopt by not later than three (3) months after the Effective Date and thereafter maintain throughout the period of implementation of the Project the Procurement Manual.

5. The Recipient shall not assign, amend, abrogate or waive the Financial Management Manual and the Procurement Manual or any provisions thereof. Without prejudice to the foregoing, if any provision of the Financial Management Manual, the Procurement Manual are inconsistent with this Agreement, the provisions of this Agreement shall prevail.

B. Safeguards.

1. The Recipient shall:

   (a) ensure that the Project is carried out in accordance with the RPF and ESMF, including the preparation of the RAP and ESMP, where needed, in a manner and substance satisfactory to the Association; and

   (b) refrain from amending, suspending, waiving, abrogating, and/or voiding any provision of the Safeguards Instruments, in whole or in part, without the prior written agreement of the Association.

2. The Recipient shall:

   (a) take all necessary actions to avoid or otherwise minimize to the extent possible, and to mitigate, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the preparation of the RAPs or ESMPs; and

   (b) whenever a new or revised RAP or ESMP or any additional or revised Safeguards Instrument is required for any proposed activity under the Potential Future Project in accordance with the provisions of the RPF and ESMF, respectively, proceed to have such ESMP or RAP (as the case may be): (i) prepared in accordance with the provisions of the ESMF and the RPF, respectively; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association.

3. The Recipient shall ensure that the terms of reference for any pre-feasibility and/or feasibility study to be prepared for the Potential Future Projects shall be satisfactory to the Association following its review thereof and, to that end, such terms of reference shall duly incorporate applicable requirements of the ESMF and RPF for such feasibility study and tender documents.

4. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the ESMF and RPF, including the preparation of the ESMPs and RAPs, where needed. Without limiting its other reporting obligations under
this Agreement, the Recipient shall take all necessary measures to collect, compile and submit to the Association, as part of the Project Reports, information on the status of compliance with the ESMF and RPF, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF and RPF, particularly related to the preparation of ESMPs or RAPs where needed; and

(c) remedial measures taken or required to be taken immediately to address such conditions.

5. In the event of any inconsistency between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services and consulting services, Training and Incremental Operating Costs for the Project</td>
<td>13,800,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>13,800,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is June 28, 2023.
APPENDIX

Definitions

1. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

2. "Appraisal Window" means one of the two financing windows under the Infrastructure Project Preparation Facility referred to in Schedule 1 to this Agreement.

3. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

4. "CPA" means the Recipient’s Central Partnership Authority, which will house the PMU for the Project, or any successor thereof.

5. "Council" means either a development council or a high council convened to decide on matters related to PIM-PPP Framework.

6. "Displaced Persons" means persons who, on account of the implementation of the Potential Future Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income source or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

7. "Environmental and Social Management Framework" or "ESMF" means the environmental and social management framework adopted by the Recipient and disclosed on May 14, 2018, acceptable to the Association, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Potential Future Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental and Social Management Plans, as may be required for Project activities, as said framework may be modified from time to time by agreement between the Recipient and the Association.

8. "Environmental and Social Management Plan" or "ESMP" means, individually, each environmental and social management plan, as may be required to be prepared in accordance with the ESMF and Section 1 C.2(b)(i) of the Schedule 2...
to this Agreement, which implementation is excluded from the Project, setting forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under the Potential Future Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Environmental and Social Management Plans” and “ESMPs” means, collectively, all such plans.

9. “Financial Management Manual” means the manual satisfactory to the Association to be prepared by CPA containing detailed financial management arrangements necessary for the effective implementation of the Project, including guidelines to access funds for pre-feasibility and feasibility studies from the Infrastructure Project Preparation Facility referred to under Part 2 of the Project.

10. “Focal Point” means the relevant entities or departments in the Recipient’s line ministries involved in the implementation of Part 2 of the Project.


12. “Incremental Operating Costs” means Project-related incremental expenses incurred on account of Project implementation support and management, including the rental of office space; the operation, maintenance, rental and insurance of vehicles; fuel; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; domestic travel and per diem.

13. “Infrastructure Project Preparation Facility” means the facility referred to in Schedule 1 to this Agreement to be established by the Recipient for appraisal and preparation of a pipeline of private, publicly-funded or PPP infrastructure projects, including the Potential Future Projects, such facility to be comprised of an Appraisal Window and a Project Development Fund Window.

14. “Ministry of Finance” or “MOF” means the Recipient’s Ministry of Finance or any successor thereto.

15. “PIM-PPP Framework” means the Recipient’s framework arrangement through which all proposed new projects (publicly-funded or PPP) to be channeled through a single integrated process for evaluation and prioritization to assess and decide alignment with national strategies and the best procurement method.

16. “PMU” means Project Management Unit referred to under Section 1.A of Schedule 2 to this Agreement.
17. “Potential Future Project” means any of the potential future privately, publicly-funded or PPP projects, which implementation is excluded from the Project, and the pre-feasibility study and/or feasibility study, tender documents, as well as associated safeguard documents, as needed, have been prepared under the Project.

18. “PPP” means the public private partnership.

19. “Procurement Manual” means the procurement and contracts management manual prepared by CPA containing all procurement arrangements necessary for the effective implementation of the Project.


21. “Project Development Fund Window” means one of the two windows under the Infrastructure Project Preparation Facility referred in Schedule 1 to this Agreement.


23. “Resettlement Action Plan” or “RAP” means, individually, each of the Recipient’s resettlement action plans, acceptable to the Association, to be prepared as needed in accordance with the RPF and Section 1 B.2(b)(i) of the Schedule 2 to this Agreement, which implementation is excluded from the Project, setting out the: (i) principles and procedures governing the acquisition of land required for the Potential Future Project; (ii) Displaced Persons as a result of Potential Future Project activities; (iii) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (iv) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Potential Future Project activities; and (v) principles and procedures for consultation, grievance redress, reporting and monitoring requirements, as said plan may be revised from time to time by agreement between the Recipient and the Association: and “Resettlement Action Plans” and “RAPs” means, collectively, all such plans.

24. “Resettlement Policy Framework” or “RPF” means the RPF adopted by the Recipient and disclosed on May 14, 2018, acceptable to the Association, which sets out the policies and procedures for addressing adverse temporary or permanent social impacts resulting, or likely to result, from the carrying out of the Potential Future Project, including for the preparation of Resettlement Action Plans as may be required for Project activities, as said framework may be revised from time to time by agreement between the Recipient and the Association.
25. "Safeguards Instruments" means the Environmental and Social Management Framework, the Resettlement Policy Framework, the Environmental and Social Management Plan(s), and the Resettlement Action Plan(s).

26. "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.

27. "Training" means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient and abroad, including the purchase and publication of materials, rental of facilities, course fees, travel and subsistence allowances for trainers and trainees.