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

Excellency:

Re: Islamic Republic of Afghanistan
EITI Grant for Implementation of the Extractive Industries
Transparency Initiative (Phase II)
EITI Grant No. TF018111

In response to the request for financial assistance made on behalf of Islamic Republic of Afghanistan ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by Australia, Belgium, Canada, Denmark, the European Union represented by the European Commission, Finland, France, Germany, Japan, the Netherlands, Norway, Spain, Switzerland, the United Kingdom, and the United States (collectively "Donors") under the Multi-Donor Trust Fund for Extractive Industries Transparency Initiative ("EITI") Implementation Support (TF053509), proposes to extend to the Recipient, a grant in an amount not to exceed three hundred thousand United States Dollars (U.S.$300,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the
countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,
INTER NATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Robert J. Saum
Country Director for Afghanistan
South Asia Region

AGREED:
ISLAMIC REPUBLIC OF AFGHANISTAN

By:
Authorized Representative

Name: DR. OMAR ZAKHILWAL
Title: ACTING MINISTER OF FINANCE
Date: 29/NOV/2014

Enclosures:


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “Afghanistan EITI Secretariat” or the acronym “AEITI Secretariat” means EITI Secretariat within the Ministry of Finance, headed by the National EITI Coordinator charged with the responsibility of day to day operations and coordinating the Project activities.

(b) “Incremental Operating Costs” means the Project-related expenses incurred on account of Project implementation support and management office consumables, operation and maintenance of office equipment and vehicles, maintenance and insurance of vehicles; fuel; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; domestic and international travel and per diem; but excluding salaries of officials and staff of the Recipient’s civil service.

(c) “MSG” means Multi Stakeholder Working Group, a selected group of Government, company and civil society representatives that oversee the EITI process.

(d) “National EITI Coordinator” means the person selected to head the AEITI Secretariat. Who shall act in accordance with this Agreements and ensure compliance with World Bank policies.

(e) “Training” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient or, subject to the prior approval by the World Bank, attended abroad by representatives of the Recipient and members of civil society and nongovernmental organizations who are stakeholders in the Project, including the purchase and publication of materials, rental of facilities, study tours, course fees and, travel and subsistence of trainers and trainees.

(f) “World Bank Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual and identified as OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.WorldBank.org/opmanual.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to assist the Recipient in establishing a sound EITI implementation mechanism to enhance its capacity to effectively regulate its minerals and hydrocarbon resources sector in a transparent manner. The Project consists of the following parts:

(a) Communication and Outreach Activities

Provide support to the Afghanistan EITI Secretariat to publically disseminate the reconciliation report to be prepared annually by the Afghanistan EITI Secretariat, through radio, television and print media, to emphasize on use and analysis of EITI data to promote better understanding of extractive industries benefits and revenue streams by EITI stakeholders and general public.

(b) Training and Capacity Building

(i) Conducting training and workshops for the MSG and EITI Secretariat to enhance capacity in defining the scope of the AEITI and its implementation.

(ii) Capacity building activities for representatives of civil society, media, government, extractive industry and parliament on operation of extractive industry and EITI.

(iii) Capacity building activities for MSG members in Project management through training and study tours.

(c) Operation Support for Efficient EITI Implementation

Provide support to AEITI Secretariat for implementing the EITI through financing of the Incremental Operating Costs.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. The Recipient shall:

(a) maintain until the end of the Project an AEITI Secretariat under the Ministry of Finance responsible for coordinating Project activities and its day to day operations, and administering the Grant. The AEITI Secretariat shall be headed by the National EITI Coordinator with the responsibility to plan and organize the annual cycle of MSG meetings and ensure that the decisions and recommendations of the MSG are implemented.

(b) ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building activities under this Agreement shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank’s Safeguard Policies then in force, as applied to
any consultations, information gathering and advice conveyed through such studies, technical assistance and/or capacity building activities.

2.04. **Donor Visibility.** The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) AEITI Secretariat’s communications strategy for 2014-2016 finalized.

(ii) AEITI Secretariat produced reports, translated into local languages and widely disseminated.

(iii) Training and study tours referred to in Section 2.01(b) of this Agreement organized and carried out.

(iv) Validation and AEITI Secretariat’s follow-up on recommendations referred in Section 2.01(a) of this Agreement completed.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
2.07. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Procurement Guidelines”), in the case of goods and non-consulting services;

   (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014 (“Consultant Guidelines”) in the case of consultants’ services; and

   (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

   (i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

   (A) Standard bidding documents approved by the World Bank shall be used.

   (B) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.

   (C) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.

   (D) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

   (E) Foreign bidders shall not be precluded from bidding.

   (F) Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder
shall be given reasonable opportunity of registering, without any hindrance.

(G) Bidders may deliver bids, at their option, either in person or by courier service or by mail.

(H) All bidders shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder’s bid security or the declaration form shall apply only to a specific bid.

(I) Bids shall be opened in public in one place preferably immediately, but no later than one hour, after the deadline for submission of bids.

(J) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the World Bank.

(K) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.

(L) Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (I) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (II) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the World Bank;

(M) Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.

(N) Extension of bid validity shall not be allowed without the prior concurrence of the World Bank: (I) for the first request for extension if it is longer than four (4) weeks, and (II) for all subsequent requests for extensions irrespective of the period in case of prior review.

(O) Negotiations shall not be allowed with the lowest evaluated or any other bidders.

(P) Re-bidding shall not be carried out without the World Bank’s prior concurrence in case of prior review.

(Q) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor’s or a supplier’s performance security shall apply to a specific contract under which it was furnished.
(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection of consulting firms; (F) Single-source procedures for the Selection of Individual Consultants.

(d) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consulting services, consultants’ services, Training and Incremental Operating Costs under the Project</td>
<td>300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2015.
Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:

93-20-210-3258

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391