Project Agreement

(Access to Finance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

MICROFINANCE INVESTMENT AND SUPPORT FACILITY FOR AFGHANISTAN LTD.

Dated January 11, 2014
PROJECT AGREEMENT

AGREEMENT dated January 1, 2014 entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and MICROFINANCE INVESTMENT AND SUPPORT FACILITY FOR AFGHANISTAN LTD. ("MISFA") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. MISFA declares its commitment to the objectives of the Project. To this end, the Project MISFA shall carry out Part I of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, MISFA shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. MISFA’s Representative is its Managing Director.

4.02. The Association’s Address is:
International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Facsimile:
+1-202-477-6391

4.03. MISFA's Address is:

Microfinance Investment and Support Facility for Afghanistan, Ltd.
House #195 Esmat Muslim Street
Shahr-e Naw
Kabul
Islamic Republic of Afghanistan

E-mail:

bahram.barzin@misfa.org.af

AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Name: Robert Saum
Title: Country Director

MICROFINANCE INVESTMENT AND SUPPORT FACILITY FOR AFGHANISTAN LTD

By

Authorized Representative

Name: Bahram Barzin
Title: Managing Director
SCHEDULE

Execution of MISFA’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

MISFA shall at all times:

1. carry out Part A of the Project in accordance with the MISFA Operational Manual, and shall not amend, delete or waive any provision of the aforementioned instruments without prior agreement thereon between the Recipient and the Association;

2. be governed in accordance with the MISFA Legislation, and shall not assign, amend, abrogate or waive the MISFA Legislation or any provision thereof, if, in the opinion of the Association, such assignment, amendment, abrogation or waiver will materially and adversely affect MISFA’s performance with respect to the implementation of its Respective Part of the Project; and

3. maintain adequate Project implementation structures with functions, powers, staff and resources necessary and appropriate to enable it to carry out its obligations under its Respective Part of the Project.

B. Anti-Corruption

MISFA shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

MISFA shall at all times:

1. carry out its Respective Part of the Project in accordance with the ESMF, including the screening and mitigation measures set forth therein, in a manner satisfactory to the Association, and wherever an environmental and/or social management plan is required thereunder, have such plan prepared in accordance with the provisions of the ESMF and submitted to the Association for its prior review and approval thereafter adopted and locally disclosed; and

2. ensure that its Respective Part of the Project shall not: (a) involve any compulsory land acquisition, forcible eviction and involuntary relocation of local population; and (b) introduce any restrictions on community access to natural
resources unless voluntarily agreed and documented by said communities through a consultative process satisfactory to the Association.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

MISFA shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later than two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. **Financial Management, Financial Reports and Audits**

1. MISFA shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to its Respective Part of the Project.

2. Without limitation on the provisions of Part A of this Section, MISFA shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. MISFA shall have the financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Recipient. MISFA shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. **Procurement**

All goods and services required for MISFA’s Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.