H.E. Mohammad Humayon Qayoumi
Acting Minister of Finance
Ministry of Finance
Islamic Republic of Afghanistan
Kabul, Afghanistan

Project Preparation Advance No. V2760

Excellency:

In response to the request for financial assistance made on behalf of the Islamic Republic of Afghanistan ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient, an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million one hundred thousand United States Dollars (USD 1,100,000) ("Advance") 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 activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of the proposed project intended to improve agribusiness value-chain infrastructure and increase value addition in Afghanistan ("Project"), in support of which the Recipient intends to request the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of the World Bank to provide financing in support of the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, and perform its other obligations under this Agreement, all in accordance with the provisions of 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.

Sincerely,

Shubham Chaudhuri
Country Director, Afghanistan
South Asia Region

AGREED
ISLAMIC REPUBLIC OF AFGHANISTAN

By: ___________________________
Authorized Representative

Name: Naseerabad Nazari
Title: DMP Policy
Date: May 7th, 2019

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 ("Standard Conditions"), constitute an integral part of this Agreement.

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 Section:

(a) "Agribusiness Charter" means Recipient’s comprehensive strategy and action plan for agribusiness sector (2019-2024), dated September 1, 2018, as amended to date.

(b) "Financial Management Manual" means the manual adopted by the Recipient on August 27, 2018, containing detailed financial management and disbursement arrangements necessary for the effective implementation of the Activities.

(c) "Incremental Operating Costs" means the incremental operating expenses on account of implementation of the Activities, including car rentals, the operation and maintenance of vehicles, office rentals, office supplies, communication charges including internet charges, insurance costs, office administration costs, banking charges, utility charges, advertising expenses, domestic travel and per diem allowances, but excluding salaries and salary supplements of the Recipient’s civil servants.

(d) "MOF" means the Recipient’s Ministry of Finance, or any successor thereto.

(e) "MOIC" means Recipient’s Ministry of Industry and Commerce, or any successor thereto.

(f) "Tashkeef" means regular slots within Recipient’s governmental agencies’ organizational structure designated for the civil servants staffed within such agencies.

(g) "Training and Workshops" means the reasonable costs of goods and services required for the participation of personnel involved in training, workshops and study tours under the Advance, including travel and subsistence costs for training, workshops and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses, workshops or study tour preparation and implementation, but excluding fees of consultants.
Article II
Execution of the Activities

2.01. Description of Activities. The Activities for which the Advance is provided consist of the following parts:

(a) Providing technical assistance to support the establishment and operation of an executive secretariat within MOF for Agribusiness Charter.

(b) Providing technical and operational assistance to support the establishment and operation of a project implementation unit for the Project under MOIC, including recruitment and operational manager and consultants.

(c) Providing technical assistance to support carrying out of market positioning as well as environmental and social safeguard studies and feasibility studies to support Project preparation, including preparation of an operations manual for the Project.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through MOF 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 and as of July 1, 2016 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. The Recipient shall:

(a) vest the overall responsibility for the implementation and management of the Activities in MOF, and, to this end, MOF shall, through its Director General for Policy Analysis and Program Implementation or any other department agreed to in writing in between the Recipient and World Bank, be responsible for the coordination, monitoring, evaluation, and reporting of the Activities throughout the implementation of the Activities; and

(c) assign and designate, by not later than two (2) months after the effectiveness of this Agreement, and thereafter maintain throughout the implementation of the Activities, under terms and reference satisfactory to the World Bank, an adequately trained, duly qualified, and experienced financial management specialist under its regular Tashkeel to undertake and managing financial management aspects of the Activities and preparatory financial management activities for the Project, including maintaining day-to-day books of account of the Project, processing withdrawal applications, and reporting.

2.04. Financial Management Manual. The Recipient shall: (a) ensure that the Activities are carried out in accordance with the procedures, principles, practices, and arrangements set out in the Financial Management Manual, including any annexes thereof, in form and substance satisfactory to the World Bank (provided, however, that in the event of any conflict between the arrangements and procedures set out in the Financial Management Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail); and (b) not amend, abrogate or waive the Financial
Management Manual, including any of their annexes, or any provision thereof, unless the World Bank has provided its prior approval thereof in writing.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Activities.

2.05. Monitoring, Reporting and Evaluation. The Recipient shall monitor and evaluate the progress of the Activities and prepare Activities Reports in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.07. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Activities are prepared and furnished to the World Bank 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 2.09(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient or any other period as agreed in writing with the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.08. Procurement

All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 ("Procurement Regulations"), and the provisions of the Recipient's procurement plan for the Activities ("Procurement Plan") dated April 8, 2019 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

Article III
Withdrawal of Advance Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Advance 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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, 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 Advance ("Category"), the allocations of the amounts of the Advance 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 Advance Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consulting services, non-consulting services, Training and Workshops, and Incremental Operating Costs under the Activities</td>
<td>1,100,000</td>
<td>100%</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 this Agreement.

3.03. *Refinancing Date.* The Refinancing Date is July 30, 2020.

**Article IV**

**Terms of the Advance**

4.01. Refinancing under the Refinancing Agreement. If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be paid to the World Bank as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of such amount to the Refinancing Proceeds, in accordance with the provisions of the Refinancing Agreement. If, after the payment of the amount of the Withdrawn Advance Balance specified in the Refinancing Agreement and before the Refinancing Date, an Unwithdrawn Advance Balance exists, then such balance shall not be cancelled and shall remain available for withdrawal.

4.02. No Repayment in the absence of a Refinancing Agreement. Notwithstanding any provision to the contrary in the Standard Conditions, if, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then the Recipient shall not be obligated to repay the Withdrawn Advance Balance (or the portion thereof not covered by the Refinancing Agreement executed by all of its parties).
Article V
Recipient’s Representative; Addresses

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

5.02. **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: 93-20-210-3259

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

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

Facsimile: 1-202-477-6391