Dear Ambassador Al-Khalidi:

1. We refer to the Letter Agreement dated July 3, 2002 between the Kingdom of Saudi Arabia acting through the Saudi Fund for Development, on the one part (the “Donor”), and the International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”), on the other part, as amended to date (the “Letter Agreement”), pursuant to which the Donor, has made available to the Bank grant funds for the purpose of contributing to the multi-donor Afghanistan Reconstruction Trust Fund (“ARTF”).

2. Pursuant to the approval of the Steering Committee of the ARTF on June 25, 2018 for inclusion of two new windows, namely, the Advisory Services, Implementation Support and Technical Assistance (ASIST) facility, replacing the existing Research and Analysis Program under the ARTF, and the Anti-Corruption and Results Monitoring Action Plan (ACReMAP) strengthening of results monitoring and fiduciary oversight under the ARTF, the Bank proposes to amend the Amended and Restated Standard Terms and Conditions governing contributions to the ARTF, as amended. which is an annex to the Letter Agreement, as follows:

I. The words “Category (3)” are hereby deleted and replaced with “Window 2 (Sub-grants for Investment Projects)”, wherever used in this Annex, namely, in the definition of Sub-grant in paragraph 3, paragraphs 6(a), 9, and 13.

II. The words “Financing Strategy” are hereby deleted and replaced with “Partnership Framework and Financing Program”, wherever used in this Annex, namely, in paragraphs 3(d), 5(a)(ii), 5(a)(iii), 5(b)(i), and 9(b).

III. Paragraph 3, definitions of “Category”, and “Research and Analysis Program” or the acronym “RAP” are deleted in their entirety.

IV. Paragraph 3, the following new definitions are included at the end of paragraph 3, to read as follows:

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“Recipient-executed activities” means activities for which one or more Sub-grant Recipients have implementation responsibility, and to carry out such activities the Sub-grant Recipient has received a Sub-grant under a Sub-grant Agreement.

“Window” means any of the windows set forth in paragraph 4 of this Annex describing the activities to be financed by the Trust Fund.

V. Paragraph 4 is hereby amended to read as follows:

"4. Activities and Eligible Expenditures"

4.1. The activities to be financed by the Trust Fund are:

4.1.1. Recipient-executed activities, for which one or more Recipient has implementation responsibility:

(a) Window 1: Financing for Recurrent and Capital Expenditures

Activities, for which the Administration has implementation responsibility, including, but not limited to, activities in the separate agreement(s) that the Bank has entered into with the Administration to finance the Recurrent and Capital Expenditures.

(b) Window 2: Sub-grants for Investment Projects

Activities, for which one or more Sub-grant Recipients (as defined herein) have implementation responsibility, include, but not limited to, carrying out an Investment and Program Activity, financing of expert services and training, and activities which complement, and leverage Bank financed investment programs and development policy operations; stand-alone and co-financed projects/operations; analytical work and technical assistance in support of improved development outcomes.

4.1.2. Bank-executed activities, for which the Bank has implementation responsibility:

(a) Window 3: Advisory Services, Implementation Support, and Technical Assistance (ASIST) Facility

Provision of advisory services, implementation support, and technical assistance to the Government of the Islamic Republic of Afghanistan in selected areas of national priority, including improving fiscal performance, promoting extractives for development, and strengthening poverty monitoring and evaluation systems.

(b) Window 4: Anti-Corruption and Results Monitoring Action Plan (ACReMAP)
Provision of enhanced results monitoring and fiduciary oversight support to Recipient-executed activities (as defined below), including:

(i) risk-based, heightened fiduciary oversight, environmental and social safeguards, and results monitoring and reporting;

(ii) third-party monitoring for both physical performance verification of Recipient-executed activities and financial and fiduciary checks of eligibility of expenditures financed under the Trust Fund, including detection of possible misuse of funds;

(iii) In-depth reviews of fiduciary and performance risks in Trust Fund-financed projects using a risk-based approach; and

(iv) measures to facilitate broad citizen monitoring of Trust Fund-funded activities.

(c) Window 5: Research and Analysis Program (RAP)

Provision of advisory services and technical assistance to strengthen analysis and research and inform the Trust Fund's strategic focus and work, through in-depth studies, impact evaluations, and other analytical work upon approval of the Management Committee. Such activities will include, without limitation, pre-feasibility and other studies, and analytical work.

4.2. The Eligible Expenditures to be financed by the Trust Fund are:

4.2.1. For Bank-executed activities, the Trust Fund funds may be used to finance:

- Associated overheads
- Staff costs with indirect costs
- Extended term consultants with indirect costs
- Short term consultants with indirect costs
- Consultant fees for firms
- Contractual services
- Temporary support staff costs with indirect costs
- Field assignment benefits
- Travel expenses
- Equipment and office premises lease costs
- Media, workshops, conferences and meetings costs

4.2.2. For Recipient-executed activities, the Trust Fund funds may be used to finance eligible expenditures in accordance with the Bank's applicable policies and procedures.

VI. Paragraph 6(a) is hereby amended to read as follows:
“(a) The Administration will be responsible for implementing the activities to be financed under Window 1 (Financing for Recurrent and Capital Expenditures). Implementation of the activities to be financed under Window 2 (Sub-grants for Investment Projects), is governed by the provisions of paragraph 9 of this Annex. The Bank will engage one or more Monitoring Agents to monitor expenditures related to the activities financed under Window 1 (Financing for Recurrent and Capital Expenditures) and Window 2 (Sub-grants for Investment Projects). Each Monitoring Agent will be selected and retained by the Bank on the basis of terms of reference/scope of work agreed by the Management Committee and the Bank. The responsibilities of each Monitoring Agent will include monitoring the procurement of goods, services and other items, screening and recommending withdrawal applications for the Bank’s approval and payment, monitoring all expenditures financed by the Grant Funds and pre-screening the financial management capacity of potential Sub-grant Recipients so as to ensure that Grant Funds are disbursed only for the purposes specified in paragraph 4 of this Annex and according to applicable Bank procedures.”

VII. Paragraph 6(d) is hereby amended to read as follows:

“(d) The selection and recruitment of Monitoring Agents by the Bank, and the procurement and financing of expenditures for goods and services to be carried out by the Administration, in connection with goods and services financed under Window 1 (Financing for Recurrent and Capital Expenditures), and by each Monitoring Agent, will take place on an untied basis, in accordance with the Bank’s “Guidelines for Procurement under IBRD Loans and IDA Credits” and the “Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency.”

VIII. Paragraph 7(a) is hereby amended to read as follows:

“(a) The Grant Funds will be accounted for as part of a single Trust Fund which will be kept separate and apart from other funds of the Bank. Donor contributions to the Trust Fund may not be earmarked for one or more specific Windows and will instead be allocated among all Windows in accordance with the decisions of the Management Committee. A Donor may state a preference that its contribution be used to finance one or more Windows, or certain activities in a given sector, with the understanding that neither the Management Committee nor the Bank will be in a position to guarantee that total spending with respect to any given Window or sector will match or exceed the level of the contribution in connection with which a preference will have been stated. Undesignated contributions will be allocated among Windows in accordance with the decisions of the Management Committee. No contribution to the Trust Fund will be accepted unless it equals or exceeds two hundred thousand United States dollars (US$200,000).”

IX. Paragraph 7(c)(iii) is hereby amended to read as follows:

“(iii) an amount equal to two percent (2%) of the amount of the Grant Funds allocated to Window 1 (Financing of the Recurrent and Capital Expenditures) for the purposes of ad hoc payments.”

X. Paragraph 13 is hereby amended to read as follows:

“For purposes of channeling Grant Funds to their intended beneficiaries in accordance with the terms and conditions of the Letter Agreement and this Annex, the Bank will enter into
a grant agreement with the Administration concerning Trust Funds allocated to Window 1 (Financing for Recurrent and Capital Expenditures) and Window 2 (Sub-grants for Investment Projects). Grant Funds allocated to Window 2 (Sub-grants for Investment Projects) will be governed by separate Sub-grant Agreements to be entered into between the Bank, on the one part, and Sub-grant Recipients, on the other part, with each such agreement relating to one or more Investment and Program Activity. Without prejudice to the foregoing, Grant Funds allocated to Window 2 (Sub-grants for Investment Projects) for the specific purpose of financing Law and Order Projects will be governed by one or more grant agreements, as the case may be, to be entered into between the Bank, on the one part, and the United Nations Development Programme, on the other part.”

3. All terms of the Letter Agreement not hereby amended shall remain in full force and effect. It is the Bank’s policy to make publicly available the Letter Agreement and any information related thereto, including this Amendment.

4. As agreed at the Steering Committee of the ARTF referred to above, this Amendment is hereby effected without need for counter-signature and takes effect as of the date of this Amendment letter.

Sincerely,

Shubham Chaudhuri
Country Director, Afghanistan
South Asia Region