Project Agreement

(Additional Financing for the Financial Sector Rapid Response Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DA AFGHANISTAN BANK

Dated March 10, 2014
PROJECT AGREEMENT

AGREEMENT dated March 10, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and DA AFGHANISTAN BANK (“Project Implementing Entity”) (“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. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out 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 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, the Project Implementing Entity shall carry out 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. The Project Implementing Entity’s Representative is the Governor, Da Afghanistan Bank.
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. The Project Implementing Entity's Address is:

Da Afghanistan Bank  
Ibn-e-Sina Watt  
Kabul  
Islamic Republic of Afghanistan  

Facsimile:  
+93-20-2100305

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]  
Authorized Representative

Name: Robert Saum  
Title: Country Director

Da AFGHANISTAN BANK

By

[Signature]  
Authorized Representative

Name: Noorullah Delawari  
Title: Governor
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Project Implementing Entity shall maintain throughout the implementation of the Project:

   (a) the Project Steering Committee ("PSC"), chaired by the Governor or the first Deputy Governor of DAB, and comprised of the heads of all DAB’s departments involved in implementation of the Project and representatives of the AIBF and APS, to be responsible for overseeing the overall implementation of the Project and for providing overall strategic policy guidance and oversight for the Project; and

   (b) the Project Implementation Cell ("PIC"), led by a qualified and experienced Project Director satisfactory to the Association, under terms of reference acceptable to the Association, and assigned staff and resources in adequate numbers acceptable to the Association; which unit shall be vested with the functions, powers and responsibility, acceptable to the Association, for the day-to-day management of Project implementation, including, inter alia:

       (i) coordinating the necessary cooperation among the various DAB departments and the PSC; (ii) preparing the Project’s Annual Work Plans; (iii) carrying out the necessary procurement and financial management required by Project activities; and (iv) complying with Project supervision, monitoring and evaluation, and reporting requirements.

2. The Project Implementing Entity shall:

   (a) (i) carry out the Project in accordance with the Financial Management Manual; and (ii) refrain from amending, suspending or waiving any provision of the Financial Management Manual, whether in whole or in part, without the prior written approval of the Association; and

   (b) notwithstanding the provisions of subparagraph (a)(ii) above, update said manual regularly, in a manner and substance satisfactory to the Association, in order to reflect the increased fiduciary responsibilities of the PIC and the accounting and auditing requirements thereof.

In the event of any conflict between the provisions of the Financial Management Manual and those of this Agreement, the latter shall prevail.
3. The Project Implementing Entity shall maintain, throughout the period of implementation of the Project, a budget committee for the Project (the “Project Budget Committee”), comprised of representatives from the PIC, the relevant units of DAB, as well as APS and AIBF, as detailed in the Financial Management Manual, which committee shall be vested with such functions, powers, resources and competencies, satisfactory to the Association, as shall be required for purposes of overseeing the overall budgeting process for the Project, including compliance with governmental budgeting principles, policies and procedures, preparation of Annual Work Plans, and quarterly reviews of forecasted and incurred expenditures.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Annual Work Plans

The Project Implementing Entity shall:

(a) prepare, through the Project Budget Committee, and furnish to the Recipient, the PSC and the Association, by no later than December 31 of each year, commencing December 31, 2013, a detailed annual work plan (the “Annual Work Plan”), in a form and substance satisfactory to the Association, setting out the time-bound program of Project activities for the following Fiscal Year by component and sub-component, including: (i) a forecast of the funds required for their implementation, and the respective financing sources; (ii) an update of the Project’s disbursement profile; and (iii) the Project indicators to be achieved during the Fiscal Year covered by the plan; and

(b) thereafter, carry out the Project activities through its PIC for the corresponding Fiscal Year as established in the Annual Work Plan and discussed with, and agreed by, the PSC and the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports 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 (1) calendar
quarter, and shall be furnished to the Recipient and the Association not later than forty-five (45) days after the end of the period covered by such report.

2. The Project Implementing Entity shall provide to the Recipient not later than four (4) months, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

3. Notwithstanding the foregoing, the Project Implementing Entity shall furnish to the Association on a monthly basis, commencing the month following the Effective Date, individual reports covering the calendar month preceding the issuance of each such report, containing desegregated data on commercial banks’ balance sheets, and/or any other indicator requested from time to time by the Association.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity 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. The Project Implementing Entity shall have its 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 Project Implementing Entity. The Project Implementing Entity 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

1. All goods and services required for 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.
2. The Project Implementing Entity shall: (a) carry out all procurement under the Project in accordance with the provisions of the Procurement Manual; and (b) shall refrain from amending, suspending or waiving any provision of the Procurement Manual, whether in whole or in part, without the prior written approval of the Association. In the event of any conflict between the provisions of the Procurement Manual and those of this Agreement, the latter shall prevail.

3. The Project Implementing Entity shall maintain throughout the period of implementation of the Project:

(a) a fully operational procurement documentation and record keeping system, in a manner and substance satisfactory to the Association, including a freely and publicly accessible website showing the procurement plan and procurement notices, invitations to bid, bidding documents and request for proposals, as well as the procurement status of various contracts, including status of evaluation, complaints and actions taken, contract awards and contract performance. The Project Implementing Entity further undertakes to maintain such system and website updated throughout the period of implementation of the Project; and

(b) a system for the handling of procurement complaints, in a manner and substance acceptable to the Association, which system shall include, *inter alia*, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out of investigations, and a sanctions regime. Notwithstanding the foregoing, for any complaints related to contracts procured under International Competitive Bidding procedures, the Association’s prescribed complaint redress mechanism shall apply.