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GRANT NUMBER TF098459-AF

**Second Amended and Restated  
Afghanistan Reconstruction  
Trust Fund Grant Agreement**

**(Additional Financing for Third Emergency National Solidarity Project)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION  
(acting as Administrator of the Afghanistan Reconstruction Trust Fund)**

**Originally dated January 24, 2011, as amended and restated on November 26, 2015  
(Second Amended and Restated dated July 18, 2016)**

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**SECOND AMENDED AND RESTATED AFGHANISTAN RECONSTRUCTION  
TRUST FUND GRANT AGREEMENT**

AGREEMENT originally dated January 24, 2011, as amended and restated on November 26, 2015, and further amended and restated on July 18, 2016 between ISLAMIC REPUBLIC OF AFGHANISTAN (the "Recipient"); and the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the "World Bank") of grant funds (the "Grant Funds") contributed by various donors (collectively the "Donors") to the Afghanistan Reconstruction Trust Fund ("ARTF"), related to the Financing Agreement dated August 10, 2010 for the financing of the Third Emergency National Solidarity Project.

WHEREAS

(A) the ARTF Management Committee and the World Bank approved on September 15, 2010 a proposal for financing of the Project (as hereinafter defined) in the amount of one billion fifty million United States Dollars (\$1,050,000,000) (the "Original Grant"), on terms and conditions set forth or referred to in the Grant Agreement, dated January 24, 2011, as amended and restated on November 26, 2015 (the "Original Grant Agreement"), to assist in the financing of the Project;

(B) the Recipient requested, and the ARTF Management Committee and the World Bank approved on June 29, 2016, a proposal for additional financing for the Project (as hereinafter defined) in the amount of fifty seven million two hundred fifty five thousand eight hundred United States Dollars (\$57,255,800) (the "Additional Grant"), to assist in the financing of the Project.

WHEREAS the World Bank has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the World Bank hereby agree to amend and restate the Original Grant Agreement to read as follows with effect from the date of this Agreement:

**Article I  
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), constitutes 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 Standard Conditions or in this Agreement.

**Article II**  
**The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (the "Project"). To this end, the Recipient shall carry out the Project through MRRD in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III**  
**The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement:

- (a) a grant in an amount equal to one billion and fifty million United States Dollars (US\$1,050,000,000) (the "Original Grant");
- (b) a grant in an amount equivalent to fifty seven million two hundred fifty five thousand eight hundred United States Dollars (\$57,255,800) (the "Additional Grant") (the Original Grant and the Additional Grant are collectively referred to herein as the "Grant");

in each case, to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the ARTF for which the World Bank receives periodic contributions from the Donors to the ARTF. In accordance with Section 3.03 of the Standard Conditions, 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 ARTF, and the Recipient's right to withdraw the Grant proceeds is subject to availability of such funds.

**Article IV**  
**Recipient's Representative; Addresses**

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

4.02. 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:

+93202103258

4.03. 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

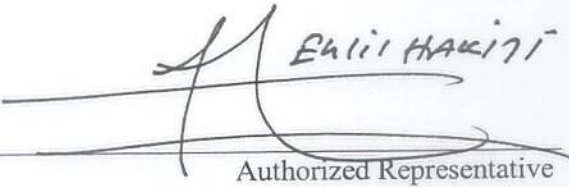
Facsimile:

+1-202-477-6391

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

ISLAMIC REPUBLIC OF AFGHANISTAN

By:

  
Authorized Representative

Name: Eulii HAKIJI

Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION  
(acting as administrator of the Afghanistan Reconstruction  
Trust Fund)

By:

  
Authorized Representative

Name: Wezi Msisha

Title: Acting Country Director



## SCHEDULE 1

### Project Description

The objective of the Project is to build, strengthen and maintain Community Development Councils ("CDCs") as effective institutions for local governance and social-economic development.

The Project consists of the following parts:

#### **Part 1: Capacity Building of CDCs**

Establish and build the capacity of CDCs, and/or federations thereof, by relying on Facilitating Partners to: (i) mobilize communities with or without CDCs for the creation or reconstitution of CDCs; (ii) facilitate CDCs' transparent elections through secret ballot; (iii) support the development or revision of demand-driven and participatory Community Development Plans ("CDPs") identifying Sub-Projects for financing through Block Grants; (iv) provide technical support during Sub-Project implementation; (v) assist CDCs in opening bank accounts, carrying out basic financial management and procurement tasks for Block Grants; (vi) increase gender awareness and women's involvement in decision-making processes; (vii) establish CDCs linkages among themselves, and/or with local governments, line agencies and development partners; and (viii) provide training on conflict management, social audits, community participatory monitoring, and financial management of community funds.

#### **Part 2: Community Grants for Economic and Social Development**

- (A) Provide Block Grants to CDCs for the carrying out of prioritized Sub-Projects, developing community-based productive infrastructure, such as irrigation works, sanitation facilities, roads, water supply facilities, village electrification and schools, pursuant to the following scheme:
  - (i) Block Grants to newly created CDCs; and
  - (ii) Block Grants to CDCs that have successfully utilized their full grant allocation, and completed the respective Sub-projects, under NSP I and NSP II.
  
- (B) Provide Maintenance Grants for the purpose of maintaining the infrastructure Sub-projects: (i) executed under the Block Grants to CDCs that have successfully utilized their full grant allocation, and completed the respective Sub-projects; and (ii) executed by means other than through Block Grants to CDCs but which satisfy the eligibility criteria specified in the Operations Manual.

**Part 3: Project Implementation Support**

Strengthen the institutional capacity of MRRD to carry out its mandate, and its NSP Program Management Office ("PMO") for the carrying out of the Project, including, the carrying out of studies for the assessment of qualitative performance and development impact; and the provision of technical assistance for the carrying out of preparatory activities for the continuation of or successor to NSP.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

##### A. Overall Project Implementation and Coordination

1. The Recipient shall vest responsibility for overall implementation of the Project in MRRD.
2. MRRD shall maintain, throughout Project implementation, a NSP Program Management Office ("PMO"), comprised of two directorates (executive and operations) each headed by a qualified and experienced Director, acceptable to the World Bank, under terms of reference, satisfactory to the World Bank, to be responsible for: (i) policy formulation, program planning, external and donor relations, budget and fund management and general Project oversight (Executive Directorate); and (ii) the implementation of fiduciary aspects of the Project including procurement, financial management, Facilitating Partners management, monitoring and evaluation, human resources and training, administration, public communications, and the engineering departments and the high risk areas implementation and oversight unit (Operations Directorate).
3. MRRD shall, through its PMO, be responsible for, *inter alia*, policy and strategy development and application, coordinating with other ministries of the Recipient on the implementation of the Project, resource mobilization, program, budget, and financial planning and control, management of relations with Facilitating Partners and donors, appraisal, approval and processing of Sub-Project proposals, quality assurance for engineering works, monitoring and evaluation, public consultation and communication, and training and capacity development at central and provincial levels. MRRD shall also be responsible for financial management, Block Grant management, Maintenance Grant management and maintaining a management information system which it shall carry out with the assistance of an external / international Financial Management Agent that shall head the PMO's financial management department.
4. The Recipient shall maintain, throughout Project implementation, an inter-ministerial Steering Committee, headed by the Recipient's Second Vice-President, with representation from relevant ministries, which committee shall be responsible for providing guidance to MRRD on the overall policy and strategic planning and management of the Project, as well as the Project's integration with other rural development programs. MRRD shall undertake periodic consultations with the Steering Committee.



5. The Recipient shall maintain, throughout Project implementation, a mechanism to liaise with donors co-financing this Project to regularly exchange views on the progress achieved in carrying out the Project and assess the outputs and outcomes thereof.
6. MRRD shall, at the provincial level, be supported by thirty four (34) Provincial Management Units ("PMUs") (one per province). Each PMU shall be adequately staffed with professional and administrative staff with the necessary experience and qualifications acceptable to World Bank, and operating under terms of reference satisfactory to the World Bank. The PMUs will be responsible for receiving, reviewing and approving Sub-Projects and requests for disbursement of the Block Grants and Maintenance Grants. In addition to the foregoing, the PMUs shall be responsible:
  - (a) for the purposes of the Block Grant, for data entry; liaising with Facilitating Partners and overseeing their work; monitoring of NSP field activities including processes, quality of institutions, quality of Sub-project implementation and maintenance; and quality of training provided to CDCs by the Facilitating Partners.
  - (b) for the purposes of the Maintenance Grant, for assisting the CDCs to develop the Maintenance Plans, and for monitoring, reporting and overseeing the Maintenance Grants.

After the phasing out of Facilitating Partners, the PMUs shall be responsible for directly assisting CDCs in the operation and maintenance of Sub-Projects and in ensuring the sustainability of CDCs.
7. MRRD shall contract with Facilitating Partners, in accordance with terms of reference and eligibility criteria satisfactory to the World Bank, to assist in mobilizing new local/rural communities to establish new CDCs and remobilize existing CDCs; conducting elections or re-elections of CDCs; facilitating consultative community planning exercises including preparation of Community Development Plans; providing technical assistance in designing and preparing Sub-Project proposals; supporting communities in the implementation of Sub-Projects including construction quality assurance; improving CDCs linkages and knowledge sharing; building institutional capacity including training communities in book-keeping, procurement and contracting; and complying with monitoring, evaluation and reporting requirements.
8. CDCs shall be the primary entities responsible for the planning and implementation of Sub-Projects under the facilitation and technical guidance of the Facilitating Partners and/or the PMUs (as the case may be) CDCs shall be responsible for: (a) preparing Community Development Plans and for the administrative, procurement and financial management of Block Grants; and (b)

preparing Maintenance Plans and for the administrative, and financial management of Maintenance Grants. CDCs shall form appropriate committees for the management of Block Grants, Maintenance Grants and for the overseeing of individual Sub-Projects.

9. The Recipient shall, and shall cause MRRD to, carry out the Project in accordance with the Operations Manual (including its Annex on Gender and Annex on Maintenance Grants), the Financial Management Manual, the Procurement Manual, the Safeguard Instruments, and the Governance and Accountability Action Plan and, except as the World Bank shall otherwise agree, the Recipient shall not amend, vary, or waive any provision of the said manuals, plans and framework without the prior written concurrence of the World Bank.

**B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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").

**C. Sub-Projects**

1. To be eligible for:

- (i) a Block Grant, a CDC shall:
  - (a) prepare a Community Development Plan, and prepare and furnish one or more Sub-Project proposals to MRRD that fully satisfy the eligibility criteria specified in the Operations Manual and the Environmental and Social Management Framework. Several CDCs may combine together to prepare one or more Sub-Project proposals of common interest and benefit by pooling their Block Grant entitlements;
  - (b) for purposes of Block Grants under Part 2(A)(i) of the Project, ensure that the proposed CDC has been legally established and has not received any financing under NSP I and/or NSP II; and
  - (c) for purposes of Block grants under Part 2(A)(ii) of the Project, ensure that the proposed CDC has: (i) fully utilized block grants received under NSP I or NSP II; (ii) submitted the respective final report for all completed Sub-Projects; (iii) recounted the number of families within the community and duly justified any variation thereof in excess of five percent (5%); (iv) carried out a second or subsequent rounds of elections as mandated in the CDC by-laws;

and (v) prepared a community action plan which include actions related to gender mainstreaming.

- (ii) a Maintenance Grant, a CDC shall
  - (a) either: (1) where the Maintenance Grant will be applied to maintain assets developed with a Block Grant, have successfully utilized its Block Grant allocation and completed the respective Sub-project; or (2) where the Maintenance Grant will be applied to maintain assets developed other than through a Block Grant, demonstrate that such assets meet the eligibility criteria set out in the Operations Manual including the requirements of the Safeguards Instruments; and
  - (b) have a Maintenance Plan prepared and approved in accordance with the Operations Manual (particularly with its annex on Maintenance Grants).
- 2. (i) For the purposes of the Block Grant:
  - (a) In evaluating each Sub-Project proposal, consideration shall be given to the CDCs capacity to carry out, manage and maintain the Sub-Project in conformity with appropriate administrative, financial, technical, environmental and managerial standards.
  - (b) If a Sub-Project has been assessed to have potential adverse environmental and social impacts, the Facilitating Partner, in coordination with the CDC, shall prepare an Environment and Social Management Plan before the Block Grant can be awarded to it.
- (ii) For the purposes of a Maintenance Grant, in evaluating each Maintenance Plan, consideration shall be given to the CDCs capacity to carry out, manage and maintain the Sub-Project in conformity with appropriate administrative, financial, technical, environmental, social and managerial standards.
- 3. The Recipient, through MRRD, shall make the proceeds of the Grant available, as Block Grants and Maintenance Grants, to CDCs under Block Grant Agreements and Maintenance Grant Agreements respectively, each to be entered into by representatives of the CDC and the Recipient, all under terms and conditions which shall have been approved by the World Bank, which shall include the following:

- (a) The Block Grant and Maintenance Grant shall be denominated in Afghani; and shall not be repayable except in circumstances described under (b)(i) below.
- (b) The Recipient shall retain rights adequate to protect its interests and those of the World Bank, including the right to:
  - (i) suspend or terminate the right of the CDC to use the proceeds of the Block Grant or the Maintenance Grant, as the case may be, or obtain a refund of all or any part of the amount of the Block Grant or the Maintenance Grant, as the case may be then withdrawn, upon the CDC's failure to perform any of its obligations under the Block Grant Agreement or the Maintenance Grant Agreement, as the case may be; and
  - (ii) require each CDC to:
    - (f) For the purposes of the Block Grant:
      - (A) carry out its Sub-Projects with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient;
      - (B) provide, promptly as needed, any agreed counterpart resources (whether in cash or in kind) required for the Sub-Project;
      - (C) procure the goods, works and services to be financed out of the Block Grant in accordance with the provisions of this Agreement;
      - (D) use any such goods, works and services procured under the Block Grants exclusively for the carrying out of Sub-Projects;
      - (E) enable the Recipient and the World Bank to inspect the Sub-Project, its operation and any relevant records and documents;

- (F) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and
  - (G) ensure that the Block Grant shall not finance or support the cultivation of poppy.
- (II) For the purposes of the Maintenance Grant:
- (A) carry out its Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial and environmental and social standards and practices satisfactory to the World Bank, including the CDCs obligation to maintain cashbooks and registers recording financial transactions to demonstrate meeting the requirements of the Operations Manual.
  - (B) provide, promptly as needed, any agreed counterpart resources (whether in cash or in kind) required for the Sub-Project;
  - (C) enable the Recipient and the World Bank to inspect the Sub-Project, its operation and any relevant records and documents;
  - (D) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and
  - (E) ensure that the Maintenance Grant shall not finance or support the cultivation of poppy.
4. The Recipient shall exercise its rights under each Block Grant Agreement and each Maintenance Grant Agreement, in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant Agreement. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Block Grant Agreement or any Maintenance Grant Agreement or any of either of its respective provisions.

**D. Safeguards**

1. The Recipient shall:
  - (a) ensure that the Project is carried out in accordance with the Safeguards Instruments, in a manner and substance satisfactory to the World Bank; and
  - (b) refrain from amending, suspending, waiving, abrogating, and/or voiding any provision of the Safeguards Instruments, in whole or in part, without the prior written agreement of the World Bank.
  
2. The Recipient shall:
  - (a) take all necessary actions to avoid or otherwise minimize to the extent possible, and to mitigate, any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof;
  - (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any Project activity which would result in such acquisition or displacement, develop and implement a RAP in accordance with the ESMF, and make available to such people full compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the applicable RAP and in a manner satisfactory to the World Bank; and
  - (c) ensure that prior to commencing any civil works under the Project, all resettlement measures set forth in the applicable RAP (if any), shall have been fully executed, including the full payment of compensation prior to displacement and/or the provision of relocation assistance to all Displaced Persons, as per the entitlements provided in the applicable RAP
  - (d) carry out an environmental screening, in accordance with the Operations Manual, for each Sub-projects for which Maintenance Grant is proposed but which were not originally built with a Block Grant.
  
3. Whenever a new or revised ESMP or RAP is required for any proposed activity under the Project in accordance with the provisions of the ESMF, the Recipient shall:
  - (a) prior to the commencement of such activity, proceed to have such ESMP or RAP (as the case may be: (i) prepared in accordance with the provisions of the ESMF; (ii) furnished to the World Bank for review and approval;



and (iii) thereafter adopted and disclosed as approved by the World Bank, in a manner acceptable to the World Bank; and

- (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESMP or RAP (as the case may be), including the payment of full compensation as applicable to Displaced Persons prior to the commencement of the relevant activity.
4. The Recipient shall ensure that each contract for civil works under the Project include the obligation of the relevant contractor to comply with the relevant Safeguard Instrument applicable to such civil works commissioned/awarded pursuant to said contract.
5. The Recipient shall maintain throughout Project implementation, a Project Grievance Redress Mechanism, with staffing and operating procedures acceptable to the World Bank, for monitoring and addressing the concerns of people affected by the Project and building public and stakeholder support for the Project.
6. The Recipient shall maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the Safeguards Instruments. Without limiting its other reporting obligations under this Agreement, the Recipient shall take all necessary measures to collect, compile and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
  - (a) measures taken in furtherance of the Safeguards Instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments, particularly those related to the relevant RAP; and
  - (c) remedial measures taken or required to be taken immediately to address such conditions.
7. In the event of any inconsistency between the provisions of any of the Safeguards Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**E. Donor Visibility and Visit**

1. 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 through the ARTF.

2. 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 Project.

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

**A. Documents; Records**

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

- (a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and
- (b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donors.

**B. Project Reports; Completion Report**

1. 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 indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
2. 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 (6) months after the Closing Date.

**C. Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project 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.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. 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.
4. MRRD, through the PMO, shall retain, throughout Project implementation, the services of an experienced and qualified Financial Management Agent, acceptable to the World Bank, under terms of reference satisfactory to the World Bank, to assist MRRD to comply with all financial management requirements under this Agreement, including the financial management monitoring of the Project.

### **Section III. Procurement**

#### **A. General**

1. **Procurement and Consultant Guidelines.** All goods, works, 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:
  - (a) 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 (revised in July 2014) ("Procurement Guidelines") in the case of goods and works, and 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 (revised in July 2014) ("Consultant Guidelines") in the case of consultants' services; and
  - (b) the provisions of this Section III, 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").
2. **Definitions.** The capitalized terms used below in 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.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	National Competitive Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the World Bank and set forth in the Procurement Plan
(b)	Shopping
(c)	Direct Contracting
(d)	Community Participation procedures which have been found acceptable to the Association

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Quality-Based Selection
(b)	Single-Source Selection of consulting firms
(c)	Least-Cost Selection
(d)	Selection Based on the Consultants' Qualifications
(e)	Selection under a Fixed Budget

(f)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g)	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.

**E. Document Retention**

Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section IV.B.2 of this Schedule; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donors.

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard, this Section, and such additional instructions as the Association shall 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 Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following 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:

Category	Amount of the Grant Allocated (Expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants' services, training, Block Grants and Incremental Operating Costs* for the Project	875,000,000	100% of amounts disbursed by MRRD for Block Grants, and 100% of amounts disbursed for all other Eligible Expenditures
(2) Remuneration of MRRD Contractual Staff**	22,710,000	40%
(3) Incremental Operating Costs of MRRD***	4,590,000	100%
(4) Block Grants	35,000,000	100% of amounts disbursed by MRRD for Block Grants on or before August 1, 2016
(5) Maintenance Grants	91,000,000	100% of amounts disbursed by MRRD for Maintenance Grants on or after November 1, 2015, but before December 31, 2016
(6) Goods, works, consultants' services, non-consulting services, training, and Incremental Operating Costs* for the Project	78,955,800	100%
<b>TOTAL AMOUNT</b>	<b>1,107,255,800</b>	



\*For the purposes of this Schedule, the term "Incremental Operating Costs" means the incremental expenses incurred on account of Project implementation and management, including the operation and maintenance of vehicles, office supplies, communication charges, insurance costs, office administration costs, banking charges, advertising expenses, utility charges, domestic travel and international travel and per diem allowances, but excluding salaries of the officials of the Recipient's civil service.

\*\*For the purposes of this Schedule, the term "Remuneration of MRRD Contractual Staff" means the remuneration of contractual staff engaged by MRRD to perform shared functions related to the Project and other programs undertaken by MRRD, including finance, procurement, internal audit, monitoring & evaluation, public communication functions and functions carried out by the offices of the Deputy Ministers for Programs and Administration and Finance.

\*\*\*For the purposes of this Schedule, the term "Incremental Operating Costs of MRRD" means the incremental expenses incurred on account of Project implementation and management, including the operation and maintenance of vehicles, office supplies, communication charges, insurance costs, office administration costs, banking charges, advertising expenses, utility charges, domestic and international travel and per diem allowances, but excluding salaries of the officials of the Recipient's civil service.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to the amount of the Original Grant may be made for payments made prior to this date but on or after January 24, 2011.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is March 31, 2017.

## APPENDIX

### Definitions

1. "ARTF Management Committee" means the committee established pursuant to Section 5 of the standard terms and conditions governing contributions to the Afghanistan Reconstruction Trust Fund (TF No.050576), responsible for, *inter alia*, overseeing the activities of the Trust Fund and for resource allocation decisions with respect to the Grant Funds.
2. "Block Grants" means the grants made available by the Recipient to CDCs out of the proceeds of the Grant in order to finance the cost of goods, works, and services for Sub-Projects under Part 2 of the Project.
3. "Block Grant Agreement" means an agreement for a Block Grant referred to in Section I.C.3 of Schedule 2 to this Agreement.
4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. "Community Development Council" or "CDC" means a community-based decision making body that includes a chairperson, vice-chairperson, secretary, and treasurer, and is responsible for, *inter alia*, preparing Community Development Plans and Sub-Project proposals, and for the implementation and management of Sub-Projects.
6. "Community Development Plan" means a plan developed by each CDC as the basis for identifying and prioritizing Block Grant investments for Sub-Projects.
7. "Displaced Persons" means persons who, on account of the implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income source or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
8. "Environmental and Social Management Framework" or "ESMF" means: (a) until November 13, 2015, the Recipients' environmental and social management framework, adopted by MRRD on May 1, 2010 and (b) commencing on November 14, 2015, the Recipient's environmental and social management framework adopted by MRRD and disclosed on November 14, 2015, acceptable to the World Bank, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public

consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental and Social Management Plans and Resettlement Action Plans, as may be required for Project activities, as said framework may be modified from time to time by agreement between the Recipient and the World Bank.

9. "Environment and Social Management Plan" or "EMP" means, individually, each environmental and social management plan, as may be required to be prepared by either, a Facilitating Partner in coordination with CDCs or by the PMUs in coordination with the CDCs, in accordance with the ESMF and Section I.D.3 of Schedule 2 to this Agreement, setting forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan, and "Environmental and Social Management Plans" and "ESMPs" means, collectively, all such plans
10. "Facilitating Partners" or "FPs" means international and/or national non-governmental organizations and agencies, as well as United Nations agencies, that will assist the Recipient in carrying out the Project as provided for in Section I.A.7 of Schedule 2 to this Agreement.
11. "Financial Management Agent" means an agent/consulting firm retained by MRRD in accordance with Sections I.A.3 and II.B.4 of Schedule 2 to this Agreement.
12. "Financial Management Manual" means the manual utilized under NSP I and NSP II, as periodically updated with the concurrence of the World Bank, including for the purposes of the Project, which prescribes the applicable protocol for handling financial responsibilities, including, *inter alia*, segregation of fiduciary duties, procedures for documentation reviews and control of physical assets, guidelines and authorization protocols for the disbursement of Block Grants to CDCs, staff training requirements and terms of reference for the annual audit reviews.
13. "Governance and Accountability Action Plan" means the action plan adopted by the Recipient outlining the critical governance risks faced by the Project (i.e. development effectiveness, fiduciary risks, reputational risks; etc) and providing for appropriate mitigation measures to avoid their occurrence.
14. "Maintenance Grants" means a lump-sum cash grant proposed to be made out of the proceeds of the Grant under Part 2(B) of the Project to a selected CDC, pursuant to a Maintenance Grant Agreement meeting the requirements of Section I.C.1(ii) of Schedule 2 to this Agreement.

15. "Maintenance Grant Agreement" means an agreement for a Maintenance Grant referred to in Section I.C.3 of Schedule 2 to this Agreement.
16. "Maintenance Plan" means a plan developed by each CDC and approved in accordance with the Operations Manual, to serve as the basis for identifying and prioritizing Maintenance Grant investments for Sub-Projects.
17. "Mine Risk-Management Procedures" or "MRMP" means the Procedures for Mine Risk Management in World Bank Funded Projects in Afghanistan, a framework document that prescribes various measures and procedures to be followed for carrying out activities that could involve, or could potentially involve, exposure or contact with mines.
18. "MRRD" means the Recipient's Ministry of Rural Rehabilitation and Development or any successor entity thereto.
19. "National Solidarity Program" or "NSP" means the Recipient's program launched in 2003 for the purpose of providing basic rural infrastructure and expanding outreach to rural communities through a community driven approach.
20. "NSP I" means the National Solidarity Program financed through the International Development Association's Grants H072-AF, H174-AF and H209-AF.
21. "NSP II" means the National Solidarity Program financed through the International Development Association's Grants H261-AF and H476-AF.
22. "NSP Program Management Office" or "PMO" means the National Solidarity program management office, referred to in Section I.A.2 of Schedule 2 to this Agreement.
23. "Operations Manual" means the Recipient's Project implementation and operations manual utilized under NSP I and NSP II, as periodically updated with the concurrence of the World Bank, including for the purposes of the Project, setting forth the procedures governing the operation of the Project, and such term includes any schedules or annexes to the Operations Manual including, *inter alia*, an Annex on Gender intended to facilitate the mainstreaming of gender issues at community level, an Annex on Maintenance Grants, and the Project's monitoring indicators, provided, however, that in the event of a conflict between this Agreement and the Operations Manual, the provisions of this Agreement shall prevail.
24. "Procurement Manual" means the manual utilized under NSP I and NSP II, as periodically updated with the concurrence of the World Bank, including for the purposes of the Project, for the implementation of procurement activities under the Project, which manual sets forth, *inter alia*: (a) the processing and approval

procedures to be followed by the PMO, PMUs and CDCs in the procurement of goods, works and services under the Project; (b) the allocation of procurement responsibilities, including the constitution of evaluations committees and designation of appointment authorities; and (c) the timeframe and criteria for procurement approvals/reviews.

25. "Procurement Plan" means the Recipient's procurement plan for the Project, dated June 7, 2010, as amended to the date of this Agreement, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
26. "Provincial Management Unit" or "PMU" means each unit to be maintained at provincial level referred to in paragraph 6 of Section I.A of Schedule 2 to this Agreement, and the term "PMUs" means collectively the plural thereof.
27. "Resettlement Action Plan" or "RAP" means, individually, each of MRRD's resettlement action plans, as may be required to be prepared in accordance with the ESMF and Section I.D.2.(b) of Schedule 2 to this Agreement, acceptable to the World Bank, which sets out the: (a) principles and procedures governing the acquisition of land required for the Project; (b) Displaced Persons as a result of Project activities; (c) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (d) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Project activities; and (e) principles and procedures for consultation, grievance redress, reporting and monitoring requirements, as said plan may be revised from time to time by agreement between the Recipient and the World Bank; and "Resettlement Action Plans" and "RAPs" means, collectively, all such plans.
28. "Safeguards Instruments" means the Environmental and Social Management Framework, the Environmental and Social Management Plan(s), the Resettlement Action Plan(s), and the Mine Risk-Management Procedures.
29. "Steering Committee" means the inter-ministerial committee referred to in Section I.A.4 of Schedule 2 to this Agreement.
30. "Sub-Project" means a rehabilitation or development project or scheme to be carried out by a CDC or a cluster of CDCs with the technical assistance of Facilitation Partners and/or PMUs under Part 2 of the Project, which meets the eligibility criteria to receive financing under this Project.