Article 1
Subject

Section 1.01. In pursuance of the Trust Funds and Cofinancing Framework Agreement between the European Union, represented by the European Commission (the “Commission”), and the International Bank for Reconstruction and Development (“IBRD”), the International Development Association (“IDA”), and the International Finance Corporation (“IFC”) (collectively, the World Bank Group) dated March 20, 2009 (the “Framework Agreement”), the Commission hereby agrees to make available a Contribution for an amount referred to in Section 3.02, and to be administered by the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) for the Afghanistan Reconstruction Trust Fund – TF050576 (the “Project”).

Section 1.02. The Contribution shall be used exclusively for the purposes set out in Annex I which includes a Description of the Project as well as, where required, the expenditures eligible for financing from the Commission, and the relevant indicators.

Section 1.03. IBRD and IDA shall administer the Contribution in accordance with the provisions of:

- the Framework Agreement;

- this Administration Agreement;

- the attached General Conditions applicable to European Union Contributions to Trust Funds (the “General Conditions”); and

- the terms and conditions of the trust approved by the International Bank for Reconstruction and Development (“IBRD”) and the International Development Association (“IDA”) (the “Terms and Conditions”).

Section 1.04. The Contribution is provided under Joint Management\(^1\) for all purposes of this Administration Agreement.

Section 1.05. The Project is a Multi-Donor Trust Fund\(^2\) for all purposes of this Administration Agreement.

Section 1.06. The trust fund is an exceptionally large trust fund for the purposes of Section 16.03 of the General Conditions.

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\(^1\) As defined in Article 1 of the Framework Agreement.

\(^2\) As defined in Article 1 of the Framework Agreement.
Article 2
Entry into force and Implementation Period

Section 2.01. This Administration Agreement shall enter into force when the last of the two Parties signs and will remain in force until the End Date.

Section 2.02. Expenses financed under the Contribution must be incurred after the date following that on which the last of the two parties signs.

Section 2.03. It is expected that an amount of the trust fund equal to the Contribution will be fully utilized in accordance with the provisions of this Administration Agreement by 30th of June 20203 (“End Disbursement Date”). The End Disbursement Date can only be modified with the agreement of both Parties pursuant to Article 9 of the General Conditions.

Section 2.04. The IBRD and IDA shall only disburse the European Union’s pro rata share of the funds remaining in the trust fund, including any investment income added thereto for the purposes of this Administration Agreement after the End Disbursement Date with the prior written agreement of the Commission.

Article 3
Amount of the Contribution

Section 3.01. The total amount of pledged contributions under the Trust Fund as of August 21, 2012 is six billion one hundred and eleven million eight hundred and fifty thousand United States Dollars (USD 6,111,850,000) as set out in Annex IV of the Administration Agreement.

Section 3.02. The Commission undertakes to finance EUR 39,750,000 for the trust fund.

Section 3.03. Indirect Costs under this Administration Agreement shall not exceed 2% of the final amount of eligible Direct Costs of the Contribution.

The IBRD and IDA may, following deposit of the Contribution by the Commission, deduct from each Contribution of the Commission and retain for the IBRD’s and IDA’s own account an amount equal to 2% of the eligible Direct Costs of the Contribution.

The final amount that the IBRD and IDA are entitled for Indirect Costs shall be adjusted to the actual disbursed amounts of the Contribution in accordance with Articles 14 and 17 of the General Conditions.

Section 3.04. The categories of costs referred to in Section 4 of the Terms and Conditions of the Annex III to this Administration Agreement shall be considered eligible under this Administration Agreement provided they comply with Section 14.01 of the General Conditions.

3 This contribution shall be committed no later than November 30, 2015.
Article 4
Payment schedule and Reporting

Section 4.01. Payments will be made in accordance with Article 15 of the General Conditions, and in accordance with the following payment schedule:

- Advance payment: EUR 19,875,000
- 1st Intermediate payment: EUR 7,950,000
- 2nd Intermediate payment: EUR 7,950,000
- Final payment: EUR 3,975,000 (subject to the provisions of the General Conditions)

The World Bank Group shall convert such funds into United States Dollars promptly following receipt of the funds, and receipt of all the appropriate legal documentation and the payment details information.

Section 4.02. Narrative progress report(s) and financial information shall be provided consistent with Article 2 of the General Conditions, and in accordance with the following schedule:

- a narrative progress report shall accompany every request for a further instalment of financing. A final narrative report shall be forwarded to the Commission within six (6) months after the End Disbursement Date;

- the progress financial information shall be made available via the Bank's Trust Funds Donor Center secure website following the signature of this Administration Agreement. The final financial information shall be made available via the Bank's Trust Funds Donor Center secure website within six (6) months after the End Disbursement Date.

Section 4.03. For the purposes of Section 2.03 of the General Conditions an updated work plan shall be provided with each report.

Article 5
Communications and addresses

Any communication relating to this Administration Agreement shall be in writing, shall state the number and title of the trust fund, and shall use the following addresses.

Payment requests and attached reports, including requests for changes to bank account arrangements pursuant to Section 9.02 of the General Conditions, shall be sent to:

For the Commission:

EU Delegation to Afghanistan
For the attention of Finance, Contracts and Audit Section
Charahi Sadarat, Shar-e Naw (opposite Ministry of Interior), Kabul
A copy of the reports referred to in Section 4.02 shall be sent to the European Union Delegation in charge of monitoring the Project, at the following address:

EU Delegation to Afghanistan
For the attention of Operations Section
Charahi Sadarat, Shar-e Naw (opposite Ministry of Interior), Kabul

For the International Development Association ("IDA"):

The World Bank
1818 Street, N.W.
Washington, DC 20433 USA

Article 6
Annexes

Section 6.01. The following documents are annexed to this Administration Agreement and form an integral part thereof:

Annex I: Description of the Project and Non-Binding Preferred Operations.

Annex II: General Conditions applicable to European Union Contributions to Trust Funds.

Annex III: The terms and conditions of the trust fund approved by the IBRD and IDA.

Annex IV: Indicative Budget for the Trust Fund.

Section 6.02 In the event of a conflict between the provisions of the Annexes and those of this Administration Agreement, the provisions of this Administration Agreement shall take precedence. In the event of a conflict between the provisions of Annex II and those of the other Annexes, the provisions of Annex II shall take precedence.

Article 7
Other conditions applying to the Project

Section 7.01. Sections 10.2 and 14.3 of the General Conditions shall be deemed to have been complied with, provided the amount contributed by the other donors to the Multi-Donor Trust Fund is sufficient to cover those amounts which are ineligible under the European Union rules including cost recovery fees.

This agreement is drawn up in three originals, two for the Commission and one for the World Bank Group entity.
For the European Union, represented by the European Commission

Name: Vygaudas Usackas
Position: Head of EU Delegation to Afghanistan
Signature: [Signature]
Date: 26/11/2012

For the International Bank for Reconstruction and Development International Development Association

Name: Robert J. Saum
Signature: [Signature]
Date: 28/11/2012
Annex I
Annex I

to the Administration Agreement N°DCI-ASIE/2011/022-892

I. Project Description

The Contribution in the abovementioned Administration Agreement shall be used exclusively for the following purposes:

The objective of the Trust Fund is to provide a vehicle for Donors to pool resources and coordinate their support to the programme of the Islamic Republic of Afghanistan for the Reconstruction of Afghanistan (variously the "Afghanistan Reconstruction Trust Fund" or "ARTF").

Without prejudice to the provisions of paragraph 7 (a) of Annex II to the Administration Agreement, the Bank acknowledges the Commission's expression of preference that the contribution will be used for the purpose of co-financing Afghanistan Capacity Building for Results Facility (CBR) under the Governance Sector of the ARTF. The Bank will use its discretion to ensure that the Contribution supports the said operations under the ARTF.

II. Non-Binding Preferred Operations

Project objective:

The Contribution aims to support public administration reform in Afghanistan through the CBR implemented by the WB. The project's development objective is to assist the government in improving the capacity and performance of select line ministries in carrying out their mandates and delivering services to the Afghan people. This will be achieved through the implementation of specific capacity and institution building programs, which include the following:

(i) clarification of function and mandates of key ministries;
(ii) reorganization of key ministry structures;
(iii) improved management practices and professionalized staffing of skilled civil servants;
(iv) focused training opportunities;
(v) a clear emphasis on results (including budget execution and service delivery) and improved implementation of high priority programs on the development budget;
(vi) strengthened government oversight.

Summary of Project Components:

CBR will have three main components:

(a) Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs (CBRP): this component comprises provision of technical assistance for preparation of CBRP by participating line ministries and implementation support for approved programmes with quality assurance at both stages.
Developing Human Resources: it will support the continued implementation of broad civil service reform efforts and placement of critical managerial and professional staff resources in participating line ministries.

Civil Service Training: it will fund partnerships between the Afghanistan Civil Service Institute (ACSI) and reputable international institutions.

Detailed project components:

(a) Component 1: Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs (US$ 30 million)
This component comprises provision of technical assistance for preparation of Capacity Building for Results Programs (CBRPs) by participating line ministries and implementation support for approved CBRPs with quality assurance of CBRPs at both stages on relevance, results focus, cost-effectiveness, realism, implementation accountability and monitoring.

Ministries will be eligible for differentiated levels of support for ministerial reforms, based on a set of criteria. Through a demand-driven, competitive process, ministries will prepare CBRPs and compete for higher levels of support. The review and approval procedures for line ministries to access the technical assistance facility is provided in Annex 1.

(b) Component 2: Building Human Resources (US$ 280 million)
This component will support the continued implementation of broad civil service reform efforts and placement of critical managerial and professional staff resources in participating line ministries. Specifically, it will provide the central public administration reform enabling environment for the implementation of a ministry's Capacity Building for Results Program. Ministries will be provided with skilled staffing groups on tashkeel (civil service establishment), paid market competitive rates to assist in reform implementation and service delivery results. Across government, underlying civil service reforms will be supported, including implementation of pay and grading. Component 2, which will be managed by the IARCSC in direct coordination with MoF, comprises five sub-components.

Subcomponent 2.1 Support to IARCSC for Civil Service Reforms ($6 million): This sub-component would finance technical assistance to assist IARCSC with the implementation of reforms to (i) enable the appointment of managerial, professional and common function staff on term contracts for key positions in line ministries; (ii) institutionalize appropriate human resource management and public administration policies and practices, including mainstreaming of gender through support for the government’s gender policy, strengthening of performance evaluation, and support for a review of civil service regulations, salaries and incentives; (iii) implementation of pay and grading; and (iv) support for the sub-national reform process.

Subcomponent 2.2 Appointment of Managerial, Common Function and Professional Staff ($246 million): This subcomponent will fund the costs associated with the salaries for CBR positions in participating line ministries. To contain the fiscal impact, recruitment will target suitably qualified Afghan nationals and will use remuneration levels that, while still competitive, are significantly lower than the prevailing inflated rates offered by donors and others. The salaries will be combined with fixed term appointments of up to five years subject to satisfactory annual performance review.
Subcomponent 2.3 Management Internship Program ($10 million): To complement the appointment of managerial, common function and professional staff as an immediate capacity building step, a management internship program will be established. The interns will be supported through training, mentoring and a rotation process across government for their first 2 years in the program; upon graduation, interns will have the opportunity to be promoted to junior level management posts in the civil service. The program includes scholarship opportunities for selected interns, once they complete the required period of post-intern service as civil servants. The outcome of the management internship program will be reviewed at the end of year 2 and a decision will be taken on scaling up of the program.

Subcomponent 2.4 Consulting Services to Assist with Recruitment ($14 million): This subcomponent will finance the contracting of an Human Resources (HR) firm and individual consultants to assist the IARCSC in establishing and operating appropriate management structures and systems, policies and procedures for the implementation management of Subcomponents 2.2 and 2.3. The HR firm will review and monitor that recruitment is carried out in compliance with the policies and procedures established for the project, including equal opportunity and gender balance.

Subcomponent 2.5 Financing of Managerial Staff Contracted under the Management Capacity Program ($4 million): This subcomponent will provide continued financing for about 90 managerial staff who were contracted under the Management Capacity Program (MCP) and a have contract period beyond December 31, 2011 when the MCP closes. The MCP appointees have played an important role across the Afghan government, most notably in the Ministry of Finance and Ministry of Communication and Information Technology. Nevertheless, the MCP did not establish a clear link between specific reform plans of ministries and the MCP appointments to ensure that the appointments would be part of a broader process of change within their institutions. It was agreed with the government in December 2010 that the MCP will close as scheduled on December 31, 2011 and payments for ongoing contracts of managerial appointees after December 31, 2011 will be covered by the CBR. Individuals on these contracts will be eligible to apply for Senior Management Group positions under Subcomponent 2.2.

(c) Component 3: Civil Service Training (US$ 20 million)
This component will fund partnerships between the Afghanistan Civil Service Institute (ACSI) and reputable international institutions to (i) develop custom made public administration management training programs for civil servants in managerial positions and management interns; (ii) deliver the training programs; and (iii) develop faculty capacity at the ACSI. The content and delivery modality of management training programs, and the terms of reference for the partnerships will be established through negotiations with interested partner institutions.
Annex II
ATTACHMENT 2 OF THE FRAMEWORK AGREEMENT
ANNEX II OF THE ADMINISTRATION AGREEMENT

GENERAL CONDITIONS APPLICABLE TO EUROPEAN UNION
CONTRIBUTIONS TO TRUST FUNDS

GENERAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 1

General obligations of the World Bank Group entity

Section 1.01. The World Bank Group entity may, according to the Description of the Project in Annex I, execute the funds directly or may provide them to a Recipient for execution in accordance with the World Bank Group entity's policies and procedures.

Section 1.02. In case of a BETF, the World Bank Group entity shall carry out the Project in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, and in accordance with the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the indicators specified in the Description of the Project.

Section 1.03. In case of a RETF, the World Bank Group entity shall be responsible, as administrator on behalf of the Commission, for making arrangements to ensure that the Contribution is used only for the purposes for which it was granted, with due attention to considerations of economy and efficiency. For this purpose, the World Bank Group entity shall monitor, evaluate, report and, where applicable, provide technical assistance, in accordance with the Administration Agreement, including the Description of the Project contained in Annex I, the Grant Agreement and the World Bank Group entity's policies and procedures. The World Bank Group entity shall report on the Indicators specified in the Description of the Project.

The World Bank Group entity shall enter into a Grant Agreement with the Recipient for the provision of such funds to the Recipient for the purposes set forth in the Administration Agreement. Grant Agreements may be entered into up to the maximum amount of the contributions that all donors including the European Union intend to make available in the Administration Agreement(s). The World Bank Group entity shall provide a copy of the Grant Agreement to the Commission. The World Bank Group entity shall be solely responsible for the administration of such Grant Agreement and shall carry out such administration in accordance with its applicable policies and procedures without prejudice to Section 1.06.

Section 1.04. The World Bank Group entity will be responsible only for performing those functions specifically set forth in the Administration Agreement, in these General Conditions, unless agreed otherwise with the Commission, and in case of a Multi-Donor Trust Fund, of the relevant Resolution or the Standard Provisions or the Terms and Conditions, and will not be subject to any other duties or responsibilities to the Commission, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in the Administration Agreement, in these General Conditions, and in case of a Multi-Donor Trust Fund, in the relevant Resolution
or the Standard Provisions or the Terms and Conditions, will be considered a waiver of any privileges or immunities of the relevant World Bank Group entity under its Articles of Agreement or any applicable law, all of which are expressly reserved.

Section 1.05. The World Bank Group entity shall take measures to prevent irregularities, fraud, corruption or any other illegal activity in the management of the Project in accordance with its policies and procedures.

In accordance with applicable World Bank Group policies and procedures, including those pertaining to protection of confidential information and the integrity of the investigative process, the World Bank Group entity shall keep the Commission informed of the progress of any formal World Bank Group entity investigation concerning the misuse of funds provided under this Administration Agreement and will report to the Commission without delay the conclusions of such findings as well as measures taken to address the fraud and corruption consistent with its policies and procedures on anti-corruption.

In accordance with the World Bank Group's policies and procedures, the World Bank Group entity shall, for BETFs, terminate contracts with Beneficiaries and, for RETFs, terminate the Grant Agreement or the financing to the Recipient for contracts with Beneficiaries, when either the Beneficiaries and/or the Recipient have been found by the World Bank Group entity to have been involved in fraud or corruption in connection with this trust fund financed by the Commission. In such cases, the World Bank Group entity shall apply its applicable policies and procedures in consultation with the donor(s) to recover the ineligible expenditures.

Section 1.06. The World Bank Group entity undertakes to ensure that the principles set forth under Section 1.05, and Articles 4, 5, 6, 10, 14 and 16 of these General Conditions also apply to the Recipient and, where applicable, to Beneficiaries involved. The World Bank Group entity shall indicate to the Recipient in the Grant Agreement the possibility that the Commission may adopt measures vis-à-vis the Recipient, should the latter not reimburse the World Bank Group entity under Section 1.05.

ARTICLE 2

Obligations regarding financial information and narrative reports

Section 2.01. The World Bank Group entity shall provide the Commission with information on the progress and results of the Projects financed under the Contribution. To that end the World Bank Group entity shall prepare narrative progress report(s) and a final report containing information set forth in Section 2.03 and 2.04. The World Bank Group will also provide the Commission with progress and final financial information regarding the Project. The narrative report(s) as well as the financial information shall cover the entire Project described in the Administration Agreement regardless of whether or not the Project is entirely financed by the Commission.

Section 2.02. The World Bank Group entity shall send to the Commission narrative progress report(s) and make available progress financial information in accordance with the provisions below. Every report and information shall include all Project activities for the period covered. The financial information will be made available via the Bank's Trust Funds Donor Center secure website.

Section 2.03. The narrative progress report(s) shall provide for comparison of the objective(s) of the trust fund, the results expected and obtained and the budget details for the Project. The level of detail in the narrative report(s) should match that of the Description of the Project and of the indicative budget of the Project.
The narrative reports should include:

- Summary and context of the Project;
- Activities carried out during the reporting period (i.e. directly related to the description of the Project and activities foreseen in this Administration Agreement, including information on the measures taken to identify the European Union as source of financing);
- Difficulties encountered and measures taken to overcome challenges;
- Changes introduced in implementation, including changes in the procurement plan pursuant to Section 10.01;
- Achievements/results by using indicators specified in the Description of the Project contained in Annex I;
- Work plan or schedule of Project activities (as described in the Administration Agreement) for the following period. If the report is sent after the end of the period covered by the preceding work plan or schedule, a provisional work plan or schedule shall be submitted before the end of the period covered by the preceding work plan or schedule.

The progress financial information shall provide for a history of contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.04. The final narrative report shall contain the above information (excluding the future workplan or schedule of Project activities) covering the entire Project implementation, information on the visibility measures taken to identify the European Union as a/the source of financing, details on the transfers of assets mentioned in Section 7.02 if relevant, and information on the final procurement plan mentioned in Section 10.01. The final financial information shall provide for a history of the contributions received and the expenditures. It shall allow the Commission to assess whether the incurred expenditures generally comply with the Administration Agreement.

Section 2.05. The reports shall be presented in English.

Section 2.06. The narrative progress report(s) shall be submitted at the following intervals:

if payments follow option 1 of Section 15.01 of these General Conditions:
- a narrative progress report shall be forwarded to the Commission on an annual basis following the signature of the Administration Agreement.
- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

if payments follow option 2 of Section 15.01 of these General Conditions:
- a narrative progress report shall accompany each payment request for a further instalment of financing;
- a final report shall be forwarded to the Commission within six (6) months after the End Disbursement Date specified in Section 2.03 of the Administration Agreement.

Section 2.07. The progress financial information shall be made available pursuant to Section 2.02 following the signature of the Administration Agreement. The final financial information shall be made available pursuant to Section 2.02 within six (6) months after the
End Disbursement Date specified in Section 2.03 of the Administration Agreement without prejudice to the obligations set out in Section 16.06 of these General Conditions.

Section 2.08. The Commission may request clarification on the narrative or financial information providing the reasons for the request. Such information shall be provided as soon as available but no later than forty-five days (45) days of the request.

Section 2.09. In addition to the above mentioned reports, the World Bank Group entity will ensure that other reports, publications, press releases and updates, relevant to the Administration Agreement are communicated to the Commission promptly following their issuance. Other reports may be made available on the Donor Centre secure website.

The Commission may request reasonable additional information on a case by case basis, providing the reasons for the request. Such information shall be supplied within forty-five days (45) days of the request and where applicable, the Commission will be provided the website address for the trust fund.

The World Bank Group entity and the Commission will endeavour to promote close collaboration and exchange of information on the Project.

Section 2.10. The World Bank Group entity shall promptly inform the Commission of any event which, in its opinion, interferes or threatens materially to delay or interfere with the successful implementation of any Project financed by the Contribution.

ARTICLE 3

Liability

Other than for failure to perform its obligations set forth in these General Conditions, in the Administration Agreement, and in the case of a Multi-Donor Trust Fund, in the relevant Resolution or the Standard Provisions or the Terms and Conditions, the Commission shall not under any circumstances whatever be liable for damages caused either to or by the World Bank Group entity or third parties, during the performance of the Administration Agreement. No claim can be submitted to the Commission for compensation or for restoration of any such damage or loss. The Commission will not be responsible for the activities of any person or third party engaged by the World Bank Group and/or the Recipient as a result of the Administration Agreement, nor will the Commission be liable for any costs incurred by the World Bank Group and/or the Recipient in terminating the engagement of any such person.

ARTICLE 4

Conflict of interest

The World Bank Group entity undertakes to take necessary precautions to avoid conflicts of interest in accordance with the applicable policies and procedures of the World Bank Group.

ARTICLE 5

Disclosure

The obligations on confidentiality and disclosure of information are included in Article 10 of the Framework Agreement.
ARTICLE 6
Visibility and Transparency

Section 6.01. The measures taken to identify the European Union as a/the source of financing are subject to Article 8 and Attachment 4 of the Framework Agreement and will be specified in the Administration Agreement.

Section 6.02. With due regard to the World Bank Group entity's applicable rules on confidentiality, security and protection of personal data, the obligations on publication of Beneficiaries shall be governed by Article 9 of the Framework Agreement.

ARTICLE 7
Ownership/use of results and equipment

Section 7.01. The relevant World Bank Group entity shall own all rights, title and interest to all industrial and intellectual property rights and materials used for and produced by a Project in relation to this Administration Agreement. However the World Bank Group hereby grants the Commission a non-exclusive right to use free of charge and as it sees fit any of these materials produced by a Project provided said use does not thereby breach existing industrial and intellectual property rights and the World Bank Group entity's policies and Article 5 of these General Conditions.

Section 7.02. Unless otherwise agreed in the Administration Agreement the equipment, vehicles and supplies paid for by the Contribution shall be transferred to Recipients, local authorities or to the final recipients (excluding commercial contractors) of the activities financed by the trust fund by the end of the Project in accordance with World Bank Group policies on asset management. The documentary proof of those transfers shall be kept for verification along with the documents mentioned in Section 16.06.

ARTICLE 8
Participation in Supervision of the Project

Section 8.01. Representatives of the Commission shall be invited to participate in Supervision missions, when applicable, led by the World Bank Group entity relating to the Project financed under the Contribution. The World Bank Group entity shall keep the Commission informed of the findings of such missions and regularly provide the Commission with summaries of any reports resulting from such missions.

Section 8.02. Notwithstanding the Commission's participation in a World Bank Group entity's Supervision mission, the Commission as a donor may wish to carry out Supervision missions independently at its own cost. Supervision missions by representatives of the Commission should be planned and carried out in a collaborative manner between the World Bank Group entity's staff and the Commission's representatives, keeping in mind the commitment of both to coordination and collaboration for the effective and efficient implementation of the Project included in the Administration Agreement. These missions are to be planned ahead with reasonable notice and procedural matters are to be agreed upon by the Commission and by the World Bank Group entity in advance. The mission will make a draft of its report available to the World Bank Group entity for comments prior to final issuance.
ARTICLE 9
Amendment of the Administration Agreement

Section 9.01. Any modification of the Administration Agreement, including the Annexes thereto, shall be in writing in an amendment.

The request for amendment shall be submitted by either the World Bank Group entity or the Commission one (1) month before the amendment is intended to enter into force, unless otherwise agreed by the World Bank Group entity and by the Commission.

Section 9.02. Notwithstanding Section 9.01, changes of address and changes of bank account may simply be notified in writing to the Commission. Changes of bank account must be specified in the request for payment using a financial identification form.

ARTICLE 10
Procurement and Grants

Section 10.01. If parts of the Project are contracted by the World Bank Group, the relevant procurement plan will be specified in the Description of the Project. If it is not specified therein, the World Bank Group entity will present it to the Commission as soon as it is available.

Section 10.02. Unless otherwise agreed by the Parties in writing, the procurement of any goods, works or services and the award of Grants to Beneficiaries by the World Bank Group entity or the Recipient in the context of the Project shall be carried out in accordance with the applicable policies and procedures adopted by the World Bank Group entity, as previously assessed by the Commission.

The administration and enforcement of all provisions entered into between the World Bank Group entity and a third party that is financed by the trust fund shall be the responsibility solely of the World Bank Group entity and shall be carried out in accordance with its applicable procedures, except as otherwise specified in this Article 10 and Section 1.06.

Without prejudice to the specific procedures and exceptions applied by the World Bank Group entity, the award of Grants to Beneficiaries shall apply the following principles:

- No single Beneficiary may receive more than one Grant financed by the European Union for the same activity. For additional activities, a Beneficiary may receive supplemental Grants;
- Grants may only cover costs incurred after the date on which the Grant contract with the Beneficiary enters into force;
- No portion of any Grant shall be used to provide a direct profit out of the proceeds of the Grant to the Grant Beneficiary unless the objective of the Grant is to reinforce the financial capacity of the Beneficiary; and
- Grants may not as a rule finance the entire cost of the activities carried out by the Beneficiary.

Section 10.03. The origin of the goods and the nationality of the organisations, companies and experts selected for carrying out activities in the Project shall be determined in accordance with the World Bank Group entity's relevant rules. The World Bank Group entity's policies and procedures on procurement and Grants to Beneficiaries are untied.
Section 10.04. The World Bank Group entity shall take into consideration as provided for under the World Bank Group's policies and procedures the following or similar situations as factors for determining qualification or eligibility of:

- Beneficiaries that are bankrupt or being wound up, are having their affairs administered by the courts, have entered into arrangement with creditors, have suspended business activities, are the subject of proceedings concerning those matters, or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
- Beneficiaries that have been convicted of an offence concerning their professional conduct by a judgment which has the force of res judicata;
- Beneficiaries that have been the subject of a judgment which has the force of res judicata for fraud, corruption involvement in a criminal organisation or any other illegal activity;
- Beneficiaries that are guilty of misrepresentation in supplying the information required as a condition of participation in the procedure or fail to supply this information;
- Beneficiaries that are subject to a conflict of interest.

Section 10.05. The World Bank Group entity may be given access whatever its medium (written on paper or stored in electronic form) to the central exclusion database set up and operated by the Commission (the "Central Exclusion Database"). The foregoing shall be applied in accordance with the provisions that may be provided for in Attachment 5 of the Framework Agreement including any condition under which the World Bank Group would communicate to the Commission any judgment rendered after 1 January 2009 which has the force of res judicata for fraud, corruption, involvement in a criminal organization or any other illegal activity against a Beneficiary receiving funds from a trust fund financed by the European Union.

ARTICLE 11
Suspension of the Administration Agreement

Section 11.01. The World Bank Group entity may suspend implementation of all or part of the Project in accordance with its policies and procedures including when circumstances make it too difficult or dangerous to continue. It shall inform the Commission without delay and provide all the necessary details should a project be suspended. The Administration Agreement may be terminated in accordance with Section 12.01. If the Administration Agreement is not terminated, the World Bank Group entity shall endeavour to minimise the duration of the suspension and may resume implementation of the Project once the conditions allow, and shall inform the Commission accordingly.

Section 11.02. Upon removal of the suspension, the implementation period of the Administration Agreement shall be automatically extended by an amount of time equivalent to the duration of the suspension. This is without prejudice to any amendments to the Administration Agreement which may be necessary to adapt the Project to the new implementing conditions.
ARTICLE 12

Termination of the Administration Agreement

Section 12.01. If, at any time, either party believes that the purposes of the Administration Agreement can no longer be effectively or appropriately carried out, it shall consult the other party. The Administration Agreement may be terminated at the initiative of either party by giving the other party three (3) months' prior written notice to cancel all or part of the Commission's pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between the World Bank Group entity and any consultants and/or other third parties for the purposes of the Administration Agreement prior to the receipt of such notice, including the Grant Agreement[s].

The World Bank Group entity shall return such cancelled balance to the Commission including any investment income in accordance with Article 18.

Section 12.02. Where the World Bank Group entity:
- fails, without justification, to fulfil any of the obligations set out in Sections 1.02 and 1.03 incumbent on it, including the presentation of a final narrative report and/or making available final financial information within the deadlines laid down in Sections 2.06 and 2.07, after being given notice by letter to comply with those obligations, still fails to do so or to furnish a satisfactory explanation within thirty (30) days of sending of the letter; and, in case of narrative progress reports, after failing to provide, together with a satisfactory explanation, a summary of the state of the progress of the Project;
- fails to comply with Section 1.05 or Article 4;
- provides false reports or makes false or incomplete statements to obtain the Contribution provided for in the Administration Agreement;
- commits financial irregularities or is guilty of grave professional misconduct;
- undergoes legal, financial, technical or organisational change that is likely to substantially affect negatively the Administration Agreement or to call into question the decision by which a direct financial contribution is awarded to the World Bank Group by the Commission following a Call for proposals;

After prior consultation with the World Bank Group entity the Commission may terminate the Administration Agreement. In that event the Commission may request full or partial repayment of any amounts that should have not been considered eligible, after allowing the World Bank Group entity to submit its observations.

Section 12.03. Prior to or instead of terminating the Administration Agreement as provided for in Section 12.02, the Commission may suspend payments or (exceptionally) the eligibility of expenses as a precautionary measure, informing the World Bank Group entity immediately.

Section 12.04 This Administration Agreement shall be automatically terminated if no payment has been made by the Commission within three (3) years of its signature.

ARTICLE 13

Dispute resolution

Section 13.01. The Parties shall endeavour to settle amicably any dispute or complaint relating to the interpretation, application or fulfilment of the Administration Agreement, including its existence, validity or termination. In default of amicable settlement, any party may refer the matter to arbitration in accordance with the Permanent Court of Arbitration
Optional Rules for Arbitration Involving International Organisations and States in force at the
date of the Administration Agreement.

Section 13.02. The language to be used in the arbitral proceedings shall be English. The
appointing authority shall be the Secretary General of the Permanent Court of Arbitration
following a written request submitted by any party. The Arbitrator's decision shall be binding
on all parties to the arbitral proceedings and there shall be no appeal.

Section 13.03. Nothing in the Administration Agreement shall be interpreted as a waiver of
any privileges or immunities accorded to any party hereto by its constituent documents or
international law.

FINANCIAL PROVISIONS TO THE ADMINISTRATION AGREEMENT

ARTICLE 14

Eligible costs

Section 14.01. To be considered eligible as Direct Costs under the Administration Agreement
costs must:
- be necessary for carrying out the activities financed by the trust fund, fall within the
  scope of the Administration Agreement, and comply with the principles of sound
  financial management, in particular value for money and cost effectiveness;
- have actually been incurred after the date specified in Section 2.02 of the
  Administration Agreement and before the End Disbursement Date specified in Section
  2.03 of the Administration Agreement;
- be recorded in the World Bank Group or Recipient's accounts, be identifiable, backed
  by originals of supporting evidence and verifiable pursuant to the provisions on the
  verification provision set out in Section 16.07.

Section 14.02. Subject to the above and without prejudice to Section 14.04, the following
Direct Costs related to the activities of the trust fund of the World Bank Group entity, or its
Recipient may be eligible provided they are consistent with the World Bank Group entity's
policies:
- the cost of staff, including those at headquarters, assigned to the activities funded by the
  trust fund, corresponding to salaries and other benefits costs;
- travel and subsistence costs for staff and consultants;
- cost of purchase or lease for goods and services (including consultant services,
  transport, storage and distributing, lease of equipment, etc.);
- costs directly arising out of, or related to, distributing consumables, supplies and
  communications;
- expenditure on contracting (including works);
- the proportion of field office costs that corresponds to the amount of activity directly
  attributable to the activities financed by the trust fund or to the proportion of the amount
  deposited by the European Union;
- media workshops, conferences, meetings and other costs including dissemination of
  information, translation, reproduction, publication;
- training;
- Supervision/project management activities, project preparation activities, and specific reporting for the needs of the Commission;
- financial service costs (in particular bank fees for transfers) and insurance;
- costs related to carrying out visibility activities.

Section 14.03. The following costs of the World Bank Group entity or its Recipient shall not be considered eligible:
- expenditures and provisions for possible future losses or debts;
- interest owed to any third party;
- items already financed from other sources;
- purchases of land or buildings;
- currency exchange losses;
- taxes, duties and charges (unless the World Bank Group entity or the Recipient is not able to reclaim them and if allowed by the applicable regulatory provisions of the European Union).

Section 14.04. In order to assist in the defrayment of the costs of administration and other expenses incurred by the World Bank Group entity in administering the trust funds provided to it hereunder, a fixed percentage of Direct Costs, not exceeding 7%, may be deducted from each Contribution and retained as Indirect Costs by the World Bank Group entity. The 7% includes any set up fee that the World Bank governing bodies' decision may establish. Indirect Costs are eligible provided that they do not include Direct Costs specifically charged including preparation and supervision costs.

Where the administrative costs charged by the World Bank Group exceed 7%, the World Bank Group entity may recover the balance as Direct Costs, subject to meeting the requirements governing direct eligible costs referred to in Section 14.01. Indirect Costs shall not be eligible where the Administration Agreement concerns the financing of a Project where the World Bank Group entity is already receiving funding for its functioning from the European Union during the same period in question.

ARTICLE 15

Payments

Section 15.01. Payment schedule is set out in Article 4 of the Administration Agreement and follow one of the options below.

- **Option 1 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of one year or less:**

  An advance payment, representing 100% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable by the Commission within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

- **Option 2 will be applicable in case of Single Donor Trust Funds or Multi-Donor Trust Funds where the trust fund has an anticipated duration of more than one year:**
An advance payment representing 50% of the total Contribution referred to in Section 3.02 of the Administration Agreement shall be payable within forty-five (45) days following receipt of the Administration Agreement signed by both Parties and receipt by the Commission of a payment request conforming to the model agreed between the Parties.

One or several intermediate payments representing X% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days of approving the narrative progress report and the financial information provided the payment request is accompanied by written confirmation that 50% of the total funds received to-date by the trust fund have been subject to a Commitment.

A final payment representing 100-(50 + X)% of the total Contribution referred to in Section 3.02 of the Administration Agreement and specified in Section 4.01 of the Administration Agreement, shall be payable within forty-five (45) days following receipt by the Commission of a payment request accompanied by written confirmation that (50 +X)% of the total funds received to-date by the trust fund have been subject to a Commitment.

Section 15.02. Narrative progress reports and the up to date financial information shall be deemed approved if the Commission has not reacted within forty-five (45) days of receiving the narrative progress report. If the Commission does not intend to approve a narrative report and/or financial information, as submitted or made available, it shall revert to the World Bank Group entity specifying the additional information it requires in accordance with Section 2.08. The deadline for approving the narrative report and financial information shall be suspended pending the receipt of the requested information.

If the Commission deems that a payment request cannot be met, it shall revert to the World Bank Group entity with a request specifying the additional information it requires within the forty-five (45)-day payment period. The payment period shall be suspended pending the payment request being made available in accordance with Section 15.01.

Approval of a report does not imply recognition of the regularity, authenticity, completeness and correctness of the declarations and information contained therein.

Section 15.03. All payments shall be made in Euro, into such bank account designated by the World Bank Group entity in its request for payment pursuant to Section 9.02.

When making deposits pursuant to this Section 15.03, the Commission will instruct the bank with which the deposit is made to include in its payment details information (remittance advice) field of its SWIFT payment message information indicating the amount and date of the deposit, the name and World Bank reference number of the trust fund for which the deposit is made (as set forth in the Administration Agreement), the Commission internal reference number (as set forth in the Administration Agreement), name of the project for which the funds are intended, name of the Commission's department responsible for the trust fund, date of the Administration Agreement or amendment. The Commission will also send a copy of its instruction to the IBRD's Trust Funds Division via e-mail using address "TFremitadvice@worldbank.org or via fax utilizing fax number 1-202-614-1315.

Section 15.04. In case of Single Donor Trust Funds except as the Commission and the World Bank Group entity may otherwise agree and subject to Section 15.06, any funds so deposited by the Commission shall be maintained in Euro. In case of Multi-Donor Trust Funds, in the event that holding currency of the Multi-Donor Trust Fund is not Euro, the World Bank
Group entity, shall convert the funds into the holding currency of the trust fund promptly following receipt of the funds, provided that all the necessary documentation has been received, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement. In all cases, where the Contribution proves to be insufficient to complete the Project as a result of an exchange rate fluctuation, the Commission will not bear any responsibility for additional financing.

Section 15.05. The funds deposited pursuant to Section 15.04 above may be commingled with other trust fund assets administered by any World Bank Group entity, provided they may still be identified as such in the records of the World Bank Group entity but shall be kept separate and apart from the funds of each of the World Bank Group entities.

Section 15.06. The World Bank Group entity may exchange any funds held hereunder for other currencies in order to facilitate their administration and disbursement at the exchange rate applicable to the World Bank Group on the date of the conversion unless the parties agree otherwise in Section 7.02 of the Administration Agreement.

Section 15.07. IBRD shall, on behalf of the World Bank Group entity, invest and reinvest the funds provided by the European Union hereunder pending their disbursement, in accordance with IBRD's policies and procedures for the investment of trust funds. For Multi Donor Trust Funds and/or Joint Management, IBRD shall credit all income earned on funds received from the Commission from such investment to the trust fund established under this Administration Agreement to be used for the same purposes as the Contribution funds. For Contributions which are not Multi-Donor Trust Funds and/or Joint Management, investment income earned on funds received from the Commission shall be identified as such, and IBRD shall credit such income to the Commission's Donor Balance Account to be reimbursed to the Commission annually upon receipt by IBRD of banking details and authorized instructions from the Commission. Such refund request shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank.

ARTICLE 16

Financial audits and checks

Section 16.01. The World Bank Group shall maintain separate records and ledger accounts in respect of the Contributions deposited by the Commission in the trust fund account and disbursements made therefrom. Separate records and ledger accounts shall be kept for each trust fund.

Section 16.02. The World Bank Group shall provide to the Commission, within six (6) months following the end of each World Bank Group fiscal year, the annual single audit, comprising (1) a management assertion together with an attestation from the World Bank Group's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the external auditor's opinion thereon. The cost of the single audit shall be borne by the World Bank Group.

Section 16.03. For Exceptionally large trust funds where a financial statement audit is deemed appropriate and necessary, the World Bank will include provisions in the Administration Agreement for the financial statements of the trust fund to be audited (either annually, periodically, or at the completion of the trust fund as agreed with the donor(s)), by the World Bank's external auditors in addition to the Single Audit Report. The costs with respect to such
audits will be paid by the trust fund. These audited financial statements will be submitted to the Commission.

Section 16.04. If the Commission wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of a trust fund established under an Administration Agreement, the Commission and the Bank will first consult one another as to whether such an external audit is necessary. Following consultation, if the Commission wishes to proceed with the external audit, the Bank will arrange for such an audit. The cost of any such audit, including the Bank's internal costs related to such an audit, will be paid by the Commission.

Section 16.05. The Bank will provide the Commission with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements.

Section 16.06. The World Bank Group entity shall, until at least seven years after the End Disbursement Date of the Administration Agreement:

(i) keep financial and accounting documents concerning the activities financed by the European Union hereunder; and

(ii) make available to the competent bodies of the European Union upon request, all relevant financial information, including statements of accounts concerning the project or activity financed by the European Union hereunder (whether executed by such World Bank Group entity or by its subcontractor).

Section 16.07. In conformity with the European Union financial regulations, the European Union may undertake, including on-the-spot, checks related to the Projects and activities financed by the trust fund.

Section 16.08. The foregoing shall be applied in accordance with the verification provisions provided for in Attachment 3 of the Framework Agreement.

ARTICLE 17

Final amount of the Contribution by the Commission

Section 17.01. The total amount to be paid by the Commission to the World Bank Group entity may not exceed the maximum Contribution established by Section 3.02 of the Administration Agreement, even if the overall actual expenditure exceeds the estimated total budget set out in Section 3.01 of the Administration Agreement unless amended in accordance with Section 9.01.

Section 17.02 The World Bank Group entity accepts that the Contribution amount shall be limited to the amount required to balance income and expenditure for the Project and that it may not in any circumstances result in a surplus for the World Bank Group entity.

Section 17.03. In cases where the Project is not completed by the End Disbursement Date specified in Section 2.03 of the Administration Agreement, the funds that remain unexpended after all Commitments incurred have been satisfied, including investment income will be reimbursed to the relevant Balance Account.

Section 17.04. Where the Project is not carried out according to the Administration Agreement and without prejudice to its right to terminate the Administration Agreement pursuant to Section 12.02, the Commission may, after allowing the World Bank Group entity to submit its observations and without prejudice to Article 13, adjust its Contribution pro rata
to the actual implementation of the Project on the terms laid down in the Administration Agreement giving three (3) months' prior written notice.

ARTICLE 18
Recovery

Section 18.01. Upon the completion or termination of the Project for which the European Union has provided funding hereunder, the World Bank Group entity, will refund to the Commission within forty-five (45) days of receiving a written request from the latter any amounts paid in excess of the final amount due for such project (including any investment income not previously reimbursed to the Commission or to the Balance Account).

Such refund request with banking details and authorized instruction from the Commission shall be sent to the attention of the Division Manager, Trust Fund Division, Accounting Department of the World Bank. Any refund to the Commission will be done in Euro, unless the Parties agree otherwise, at the exchange rate applicable to the World Bank Group on the date of the conversion unless the Parties agree to another exchange rate in Section 7.02 of the Administration Agreement. In the event the funds are received by the Commission before such refund request is sent, the Commission will issue a refund request acknowledging their receipt.

Section 18.02. If the World Bank Group entity fails to repay by the due date, the sum due shall bear interest in accordance with the rules of the Commission. In case of Contributions which are Multi-Donor Trust Funds and/or Joint Management the accrued investment income may be taken into account.

Section 18.03. Amounts to be repaid to the Commission may be offset against amounts of any kind due to the World Bank Group entity or the Recipient, after consulting it accordingly. This shall not affect the Parties' option to agree on payment in instalments.

Section 18.04. Bank charges incurred by the repayment of amounts due to the Commission shall be borne entirely by the World Bank Group entity.
Annex III
STANDARD PROVISIONS GOVERNING CONTRIBUTIONS TO THE AFGHANISTAN RECONSTRUCTION TRUST FUND

1. General

The following terms and conditions will govern all agreements entered into between the IBRD/IDA (hereinafter referred to as “the Bank” and donor countries or agencies (individually referred to herein as the “Donors”; each a “Donor”) that provide grants to the Bank as contributions to the Trust Fund (the “Grant Funds”).

2. Objective of the Trust Fund

The objective of the Trust Fund is to provide a vehicle for Donors to pool resources and coordinate their support to the programme of the Afghanistan Administration for the reconstruction of Afghanistan.

3. Definitions

Unless the context otherwise requires, the several terms defined in the Letter Agreement and in paragraph 1 above have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

(a) “Administration” means, collectively, the Afghanistan Interim Administration and/or any successor thereto;

(b) “Category” means any of the categories of expenditures set forth in the table in paragraph 4 of this Annex.

(c) “Management Committee” means the committee responsible for overseeing the activities of the Trust Fund whose membership will consist of representatives of the Asian Development Bank, the Islamic Development Bank, the United Nations Development Programme and the Bank, and whose responsibilities are described in paragraph 5 (b) of this Annex;

(d) “Donor Committee” means the committee whose responsibilities are described in paragraph 5 (c) of this Annex, and whose membership (to be reviewed on an annual basis) consists of representatives of: (i) the Bank; (ii) each Donor whose contribution to the Trust Fund equals or exceeds five million United States dollars (US$5,000,000) per annum; and (iii) two (2) members representing Donors whose individual contribution to the Trust Fund does not meet the five million United States dollars (US$5,000,000) per annum threshold;
(e) "Recurrent Expenditures" means those recurrent expenditures set forth in the Administration’s budget, whose eligibility for financing hereunder will have been determined by the Management Committee, relating to wages, benefits and other payments for civil servants, pension payments, debt service obligations, including the payment of interest, fees and other charges, and operation and maintenance costs, but excluding military and paramilitary expenditures and police-related expenditures, other than the activities contemplated under paragraph 3(h);

(f) "Capital Expenditures" means expenditures on account of goods, including, without limitation, office furniture and equipment, as set forth in the Administration’s budget, the eligibility for financing of which will have been approved by the Management Committee;

(g) "Investment and Program Activity" means activities, the purpose of which will be to meet a recognized development objective and which is part of an investment or sector program of the Administration that will have been approved by the Management Committee. Such activities will include, without limitation, activities in agriculture, infrastructure, microfinance and the social sectors, as well as reintegration of combatants into society and programs to facilitate the return of private business to Afghanistan, together with prefeasibility and other studies related thereto. The expression "Investment and Program Activity" includes a Law and Order Project (as this expression is hereinafter defined);

(h) "Law and Order Project" means an Investment Project the purpose of which, in whole or in part, will be the carrying out, in connection with the civil branch of the police force of the Administration, of one or more of the following activities: (i) payment of salaries and benefits; (ii) provision of uniforms; (iii) provision of non-military vehicles; (iv) provision of computer and two way communications equipment; (v) provision of fuel; and (vi) payment of operating and maintenance costs associated with said vehicles and computer and communications equipment;

(i) "Sub-grant" means a grant made or proposed to be made by the Bank, out of the Grant Funds allocated to Category (3), herewith to any public or private entity to carry out an Investment and Program Activity;

(j) "Sub-grant Recipient" means a public or private entity to which the Bank proposes to make, or has made, a Sub-grant;

(k) "Sub-grant Agreement" means an agreement entered into, or proposed to be entered into, between the Bank and a Sub-grant Recipient; and

(l) "Monitoring Agent" means the independent firm to be engaged by the Bank in accordance with the provisions of paragraph 6 (a) of this Annex.

4. Categories of Expenditure

The categories of expenditure that are eligible for financing from the Trust Fund, together with the percentages of expenditures to be financed, are as follows:
### Percentage of Expenditures to be Financed

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent and Capital Expenditures</td>
<td>100%</td>
</tr>
<tr>
<td>Expert services and training</td>
<td>100%</td>
</tr>
<tr>
<td>Sub-grants for Investment Projects</td>
<td>100%</td>
</tr>
</tbody>
</table>

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5. **Governance Structure of the Trust Fund**

The Trust Fund will have the following three-tier governance structure:

(a) The Bank will be the administrator of the Trust Fund. In this capacity, the Bank will establish and maintain appropriate records and accounts to identify the contributions to the Trust Fund, the commitments to be financed out of the Grant Funds and the receipt and disbursement of Grant Funds. The Bank will also be responsible to supervise the performance of the Monitoring Agent subject to the proviso set forth at the end of paragraph 8 (a) of this Annex.

(b) The Management Committee will be responsible, inter alia, for resource allocation decisions with respect to the Grant Funds. In allocating Grant Funds, the Management Committee will be guided by the overall program of expenditures and other relevant guidance to be provided to the Management Committee, on a quarterly basis, by the Administration. The Management Committee will, on a monthly basis, meet in Kabul, Afghanistan, or in such other location as the Management Committee may decide from time to time, or by teleconference and, following such meeting, report in writing to each Donor and to the Minister of Finance of the Administration on operations and activities financed by Grant Funds disbursements made by the Trust Fund and decisions taken by the Management Committee. The Management Committee will, on a quarterly basis, prepare and submit to the Donor Committee a report which will describe in detail the operations of the Trust Fund,
including the receipt and use of Grant Funds and the activities financed therefrom, together
with minutes of the monthly meetings of the Management Committee. The Management
Committee will act collectively and, to the extent practicable, make decisions by consensus.

(c) The Donor Committee will be responsible for overseeing and supervising the
performance of the Management Committee. The Donor Committee will, on a quarterly
basis, meet in Kabul, Afghanistan, or in such place as the Committee may decide to review
progress in the implementation of activities financed under the Trust Fund, and provide
guidance to the Management Committee on Grant Fund allocation strategies.

6. Implementation of Activities under the Trust Fund

(a) The Administration will be responsible for implementing the activities to be
financed under Categories (1) and (2). Implementation of the activities to be financed under
Category (3) is governed by the provisions of paragraph 9 of this Annex. The Bank will
engage the Monitoring Agent to monitor expenditures related to the activities financed under
Categories (1), (2) and (3). The 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 the 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
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.

(b) The Monitoring Agent will report to the Bank. Subject to the approval of the
Management Committee, the Bank will have the authority to change the terms of
reference/scope of work of the Monitoring Agent and, where justified, to replace the
Monitoring Agent with another firm or agency. The Bank will give advance notice to the
Administration, the Management Committee and the Donors of changes to the terms of
reference/scope of work of the Monitoring Agent. The Bank will perform ex-post evaluations
of the activities undertaken by the Monitoring Agent, and will, upon completion of the
activities financed under the Trust Fund, arrange for an independent review of the
performance of the Monitoring Agent and report its findings to the Donors.

(c) The Grant Funds may be used by the Bank to: (a) pay the reasonable fees,
travel and other reimbursable costs of the Monitoring Agent; and (b) pay the cost of goods,
services and other items of expenditure in furtherance of the Trust Fund activities, all in
accordance with the provisions of the Administration Agreement and this Annex.

(d) The selection and recruitment of the Monitoring Agent 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 Categories (1) and (2),
and by the 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".

7. **The Bank's Use of the Grant Funds and Administrative Cost Recovery**

   (a) The Grant Funds will be accounted for as a single Trust Fund and will be kept separate and apart from other funds of the Bank. Donor contributions may not be earmarked for one or more specific Categories and will instead be allocated among all Categories 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 Categories, 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 Category 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 Categories 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).

   (b) The Bank may invest the Grant Funds pending their disbursement in any instrument in which the Bank is authorized to invest its own funds. The investment income earned on the Grant Funds pending their disbursement will be added to the account to be used for purposes of the Trust Fund. In order to assist in the defrayment of its administrative costs, the Bank may, following deposit of the Grant Funds, deduct from the T-Account and transfer to itself an amount equivalent to one and one half percent (1.5%) of the amount of the Grant Funds, such amount to be adjusted, upward or downward, by not later than June 30, 2003. The Bank may also deduct from the T-Account and transfer to itself the actual costs of the Bank's contract with the Monitoring Agent, as well as the cost of the independent review of the Monitoring Agent's performance referred to under paragraph 6(b) of this Annex.

8. **Fiduciary Responsibilities of the Bank**

   (a) The Bank will be responsible only for performing those functions specifically set forth in the Letter Agreement and this Annex, and will not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in the Administration Agreement and in this Annex will be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved. The Bank will have no responsibility to the Donors with respect to the performance of the Monitoring Agent and will have no obligation to reimburse the Trust Fund or provide any compensation to any Donor if the Grant Funds are
not disbursed for the purposes specified in this Annex as a result of actions of the Monitoring Agent.

(b) The Bank will apply its normal financial management procedures to the Fund. Such procedures applicable to the operation of the Trust Fund will be communicated to the Donors without delay.

9. **Terms and Conditions Governing Sub-Grants Under Category (3)**

In the event that the Bank deems it necessary to pass on all or part of the Grant Funds to an entity or entities inside or outside Afghanistan for purposes of carrying out an Investment and Program Activity eligible for financing under Category (3), the following provisions will apply:

(a) The Bank will conclude a Sub-grant Agreement with each “Sub-grant Recipient”.

(b) Except as provided in paragraph (c) below, responsibility for the accounting and administration of Grant Funds made available by the Bank to Sub-grant Recipients will be decided upon on a case-by-case basis by the Management Committee, considering, inter alia, the recommendations made by the Monitoring Agent. Accordingly, the Management Committee will review proposals to carry out activities eligible for financing under Category (3) and award Sub-grants in connection with proposals deemed by the Management Committee to be suitable for financing and supportive of the Administration’s overall program of expenditures referred to under paragraph 5 (b) of this Annex. Proposals for financing under Category (3) will be submitted for approval to the Administration which, when approved, will forward them to the Management Committee for consideration. Only proposals vetted by the Administration in the manner described in this sub-paragraph will be considered by the Management Committee. A proposal submitted to the Management Committee, through the Administration, will include an appraisal of the Investment and Program Activity sought to be financed. For those proposals that do not include an appraisal of the Investment Project sought to be financed, the Bank will carry out the appraisal of the Investment Project. The representative of a member organization of the Management Committee will recuse him or herself from deliberations over the suitability of proposal(s) submitted or co-financed by the organization that he or she represents.

(c) Notwithstanding the provisions of sub-paragraph (b) of this paragraph 9, proposals to carry out a Law and Order Project may only be made and carried out by the United Nations Development Programme. The latter will be the sole organization authorized to carry out Law and Order Projects financed hereunder. Sub-grants to finance Law and Order Projects will be made in accordance with terms and conditions acceptable to the Bank including, without limitation, those set forth in sub-paragraphs (a), (d), (e), (f) and (g) of this paragraph 9 whose provisions shall apply, mutatis mutandis, to any Sub-grant made or to be made by the Bank to the United Nations Development Programme for purposes of carrying out a Law and Order Project. UNDP, the Bank and the Management Committee will agree on detailed procedures including procurement, disbursements and audits for processing Law and Order Projects.
(d) Sub-grants will be used to finance expenditures for goods, works and services, as the case may be, 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", as in effect at the date of the relevant Sub-grant agreement (hereinafter collectively referred to as the "Bank's Guidelines"). Any departure from the Bank's Guidelines will have to be pre-approved by the Bank.

(e) The fiduciary arrangements for an Investment and Program Activity to be financed under Category (3) will be carried out in accordance with the guidelines and procedures specified in para 8(b) including but not limited to an environmental and social screening and assessment framework approved by the Bank. Any departure from the guidelines contained in said framework will have to be pre-approved by the Bank.

(f) As required under regular Bank lending operations, a Sub-grant Agreement will obligate a Sub-Grant Recipient, among other things, to maintain an appropriate and adequate financial management system, including records and accounts, and prepare financial statements adequate to separately reflect the operations, resources and expenditures related to the Investment and Program Activity financed under the Sub-grant. Within ninety (90) days of each June 30 and December 31, the Sub-grant Recipient will prepare unaudited financial statements with respect to such Sub-grant and forward a copy to the Bank. All financial statements appropriate to the size and purpose of the Sub-grant, as indicated in the Sub-grant agreement will be expressed in the currency in which the Grant Funds subject of the Sub-grant are maintained by the Sub-grant Recipient, as indicated in the Sub-grant Agreement, and will show the allocation of such funds among the activities financed by the Sub-grant. In addition, the Sub-grant Recipient will: (i) have the above-mentioned records, accounts and financial statements audited, in accordance with auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank; (ii) furnish to the Bank, as soon as available, but in any case not later than six (6) months after the end of each calendar year: (a) certified copies of the financial statements referred to above for such year as so audited, and (b) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Bank will have reasonably requested; and (iii) furnish to the Bank such other information concerning said records and accounts, and the audit thereof, as the Bank will from time to time reasonably request. In such cases where the Sub-grant is ≤ US$100,000 the Bank has the discretion to specify in the Sub-grant agreement that attestation from the Monitoring Agent will be sufficient to comply with the audit procedures above.

(g) The Bank will report quarterly to the Donors on the status of the Grant Funds made available to a Sub-grant Recipient under a Sub-grant Agreement.

10. Reporting Responsibilities of the Bank

(a) The Bank will maintain separate records and ledger accounts in respect of the aggregate Grant Funds for the agreed activities and disbursements made therefrom to the Monitoring Agent. Within one hundred eighty (180) days of the completion of the activities financed by the Grant Funds, the Bank will prepare unaudited financial statements in United States dollars with respect to the Grant Funds and forward a copy to each Donor. The Bank will provide the Donors annually with a management assertion together with an attestation
from the Bank's external auditors on the satisfactory performance of the procedures and controls used by the Bank in administering the Grant Funds.

(b) The Bank will maintain close consultation and coordination with the Donors. The Bank will provide each Donor with quarterly reports on its quarterly ex-post evaluation of the activities undertaken by the Monitoring Agent including disbursements made out of the Grant Funds. Within (6) six months of the completion of the activities, or of full disbursement of the Grant Funds, whichever comes later, the Bank will provide a final progress report to each Donor, together with a copy of the independent review of the performance of the Monitoring Agent. Upon request by any Donor, the Bank will send to such Donor the draft and final reports received by the Bank from the Monitoring Agent on the activities financed by the Grant Funds.

11. **Termination**

Unless otherwise agreed by the Donors and the Bank, the Trust Fund arrangement provided for under the Administration Agreement and this Annex will terminate on the earlier of: (i) June 30, 2020; or (ii) or such date as the Grant Funds shall have been fully disbursed. Upon termination, unless otherwise agreed by the Donors and the Bank: (i) any agreement entered into among the Bank, the Monitoring Agent, and/or other third parties will not be affected by the termination, and the Bank will be entitled to continue permitting withdrawals of Grant Funds in respect of such agreements as if this arrangement had not been so terminated; and (ii) any remaining Grant Funds will be returned to the Donors on a pro-rata basis, and the Bank's functions pursuant hereto will be considered terminated. Within six (6) months following such termination, the Bank will furnish to the Donors an unaudited financial statement with respect to the aggregate amount contributed by all Donors.

12. **Legal Documentation**

For purposes of channelling 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 Grant Funds allocated to Categories (1) and (2). Grant Funds allocated to Category (3) 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 Category (3) 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.
Annex IV
<table>
<thead>
<tr>
<th>Sector</th>
<th>Project</th>
<th>Implementing Agency</th>
<th>Actual</th>
<th>Financing Strategy Period</th>
<th>ARTF Sector totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>On-farm Water Management</td>
<td>MAIL</td>
<td>$41</td>
<td>$48</td>
<td>$50</td>
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<tr>
<td></td>
<td>Irrigation Rehabilitation and Development*</td>
<td>MEC</td>
<td>$2</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Inputs Supply</td>
<td>MAIL</td>
<td>$2</td>
<td></td>
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<tr>
<td></td>
<td>Horticulture &amp; Livestock</td>
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<td></td>
<td>Strategic Grain Reserves</td>
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<td>$12</td>
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<tr>
<td>Rural Development</td>
<td>NSP III**</td>
<td>MRRD</td>
<td>$250</td>
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<td>Rural Enterprise Development</td>
<td>MRRD</td>
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<td>Infrastructure</td>
<td>Power sector</td>
<td>MEC</td>
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<td></td>
<td>Rural Access Roads</td>
<td>MRRD/MPW</td>
<td>$125</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Urban Sector</td>
<td>MoU/MuU</td>
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<td>Human Development</td>
<td>Basic Education</td>
<td>MoE</td>
<td>$75</td>
<td></td>
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<tr>
<td></td>
<td>Higher Education</td>
<td>MoHE</td>
<td>$75</td>
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<td></td>
<td>Skills &amp; TVET</td>
<td>MoE/MoLSA</td>
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<td>Health</td>
<td>MoPH</td>
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<tr>
<td>Governance</td>
<td>Capacity Building for Results***</td>
<td>MoF/CSC</td>
<td>$100</td>
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<td>Justice</td>
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<td></td>
<td>Public Finance Management</td>
<td>MoF</td>
<td>$60</td>
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<td></td>
<td>Provincial budgeting/O&amp;M pilot****</td>
<td>MRRD/MoPH/MoF</td>
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<td></td>
<td>Total Investment Window Financing Need</td>
<td>$583</td>
<td>$769</td>
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<td></td>
<td>Recurrent Cost Base</td>
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<td>$175</td>
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<td>Incentive Program</td>
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<td>Total Recurrent Cost Financing Need</td>
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<td>Monitoring Agents - IW and RC</td>
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<td></td>
<td>Total ARTF Financing Need</td>
<td>$783</td>
<td>$1,008</td>
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</table>

Notes: (i) All amounts and delivery dates listed in the draft Financing Strategy are indicative and will depend on capacity in line ministries as well as donor contributions.
(ii) Marked blue cells indicate priority scale up areas identified by the Ministry of Finance; and (iii) An administration fee of 2% is charged at the time donor contributions are received by the Bank and released into the Bank's budget only based on project disbursements.
(iv) SY1993 totals are heavily dependent on a number of very large infrastructure projects, potentially preparation of some of these can be expected to slide into SY1994.
*IDA Financing of $97 million for IRDP is in the process of disbursing.
**$150 million in 1992 and 1993 would be the minimum scenario. In a more optimistic scenario US200 million would be needed in both 1992 and 1993.
***$80 million in 1992 and 1993 would be the minimum scenario. In a more optimistic scenario US100 million would be needed in both 1992 and 1993.
## Summary of Estimated CBR Project Costs

The Project cost table by sub-component, in US$ millions, is provided below:

<table>
<thead>
<tr>
<th>Component</th>
<th>Sub-component</th>
<th>Cost of sub-component</th>
<th>Cost of component</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Component 1: Technical Assistance Facility for Preparation and Implementation of Capacity Building Programs</strong></td>
<td>Preparation, Implementation and Quality Assurance of Capacity Building for Results Programs</td>
<td>30</td>
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<td>1.1</td>
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<td><strong>Component 2: Building Human Resources</strong></td>
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<td>2.1</td>
<td>Support to IARCSC for Civil Service Reforms</td>
<td>6</td>
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<tr>
<td>2.2</td>
<td>Appointment of Managerial, Common Function and Professional Staff</td>
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<tr>
<td>2.3</td>
<td>Management Internship Program</td>
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<td>2.4</td>
<td>Consulting Services to Assist with Recruitment</td>
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<tr>
<td>2.5</td>
<td>Financing of Managerial Staff Contracted under the Management Capacity Program</td>
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<td><strong>Component 3: Civil Service Training</strong></td>
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<td>20</td>
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