Aug 12, 2012

His Excellency Hazrat Omar Zakhilwal
Minister of Finance
Ministry of Finance
Kabul
Islamic Republic of Afghanistan

Excellency:

Re: ARTF Grant Agreement TF093962-AF
(Second Education Quality Improvement Project)
Additional Instructions: Disbursement (First Amendment)

I refer to the Grant Agreement between the Islamic Republic of Afghanistan (the “Recipient”) and the International Development Association (the “Association”), acting as Administrator of the grant funds contributed by various donors to the Afghanistan Reconstruction trust Fund (ARTF) for the above-referenced project, dated April 14, 2009, as amended and restated to date. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of grant No. TF093962 (“Grant”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions and replaces the Disbursement Letter issued on April 14, 2009 by revising the Ceiling of Advances and Supporting Documentation requirements, as set out in paragraph II (vi) and III (i) below respectively.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement
- Advance
- Direct Payment
- Special Commitment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is six (6) months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the Association.
(iii) **Disbursement Condition (subsection 3.8).** Please refer to the Disbursement Condition in the Grant Agreement.

II. **Withdrawal of Grant Proceeds**

(i) **Authorized Signatures (subsection 3.1).** Applications for this Grant will be signed by the official(s) authorized to sign Applications as indicated in your letter dated June 20, 2011. Whenever changes are necessary, a letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below, providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
Country Office  
Kabul, Afghanistan  
Attention: Loan Department

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, and (b) applications for special commitments, together with a copy of the commercial bank letter of credit, to the address indicated below:

The World Bank  
Country Office  
Kabul, Afghanistan  
Attention: Loan Department

(iii) **Electronic Delivery (subsection 3.4)** The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) **Terms and Conditions of Use of Tokens to Process Applications.** By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”) provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.
(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for reimbursement, direct payment and special commitment is US$ 200,000.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account (subsection 5.3):** Segregated. One segregated designated account will be established for the Project and managed by the Special Disbursement Unit in the Treasury Department of the Ministry of Finance.

- **Currency of Designated Accounts (subsection 5.4):** US$.

- **Financial Institution at which the Designated Accounts Will Be Opened (subsection 5.5):** Da Afghanistan Bank.

- **Ceiling (subsection 6.1):** US$ 17,000,000.

- **Transfer (advances) to other Government Accounts:** Authorized.

III. Reporting on Use of Grant Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement and for reporting eligible expenditures paid from the Designated Account:**
  - Summary Sheet in the form attached (Attachment 4) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts for i) goods valued at US$200,000 or more per contract; ii) works valued at US$500,000 or more per contract; iii) consulting firm valued at US$100,000 or more per contract; and iv) individual consultants valued at US$50,000 or more per contract; and
  - Statement of Expenditure in the form attached (Attachment 5) for all other contracts or expenditures.

- **For requests for Direct Payment:** Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices, consultant firm invoices, copy of bank guarantee (where required under the contract), individual consultant fee statement; For goods purchases, documents evidencing receipt of goods, etc.

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** On a monthly basis or a greater period not to exceed a quarter.

(iii) **Other Supporting Documentation Instructions:** Copies of bank statement of the designated account and Designated Account Reconciliation Statement (Attachment 6) should be attached to the Application for Withdrawal for replenishment of the designated account.

V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Association’s public website at https://www.worldbank.org and its secure
website “Client Connection” at https://clientconnection.worldbank.org. Print copies are available upon request.

If you have not already done so, the Association recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Chau-Ching Shen, Senior Finance Officer at loasar@worldbank.org, using the above reference.

Yours sincerely,

Robert J. Saum
Country Director for Afghanistan
South Asia Region

Attachments
1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Form of Summary Sheet
5. Form of Statement of Expenditure
6. Designated Account Reconciliation Statement
Cc with copies: His Excellency Farooq Wardak
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