The World Bank  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION  
1818 H Street N.W.  
Washington, D.C. 20433  
U.S.A.  
(202) 477-1234  
Cable Address: INTBAFRAD  
Cable Address: INDEVAS  

October 31, 2012

H.E. Hazrat Omar Zakhilwal  
Minister of Finance  
Ministry of Finance  
Fashtunistan Watt  
Kabul  
Islamic Republic of Afghanistan

Afghanistan: Agreement for Preparation of Proposed  
Afghanistan Second Skills Development Project  
Trust Fund Preparation Grant No.013393

Excellency:

In response to the request for financial assistance made on behalf of Islamic Republic of Afghanistan ("Recipient"), I am pleased to inform you that the International Development Association, ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Afghanistin Reconstruction Trust Fund, proposes to extend to the Recipient, a grant in an amount not to exceed five hundred thousand United States Dollars (US$500,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Afghanistan Reconstruction Trust Fund

By

Robert J. Saum
Country Director, Afghanistan

AGREED

ISLAMIC REPUBLIC OF AFGHANISTAN

By: ________________
Authorized Representative

Name: __________________________
Title: __________________________
Date: __________________________

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

(3) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011


(5) “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Execution of the Activities

2.01. **Project Objectives and Description of the Activities.** The purpose of the Grant is to assist in the preparation of the Afghanistan Second Skills Development Project (the Project), which has as main objective to increase employability of a skilled workforce. The activities (the Activities) for which the Grant is given are as follows:

   (a) Carry out surveys of technical and vocational education and training institutions ("TVET Institutions"), potential trainees in both the formal and informal sector, and of employers selected by the Recipient with the concurrence of the World Bank, in order to assess their readiness to pilot skills development training schemes;

   (b) As part of activity (a) above, prepare detailed lists of: (i) all formal TVET Institutions and suitable informal technical and vocational education & training providers that could take part in the project; ii) employers to be surveyed in economic sectors/areas of Afghanistan; and (iii) saving groups/households to be interviewed in the village survey;

   (c) Strengthen the Monitoring and Evaluation (M&E) unit of the ASDP (as defined in Section 2.03(b)) project unit to develop a monitoring framework that will effectively track the project progress and build the human resource capacity of the EMIS team, under the Ministry of Education ("MOE") and the financing of their Incremental Operating Costs (as defined in Section 3.01(b) herein below), for the implementation of Project preparation activities (including these Activities) and the monitoring and supervision thereof; as well as ensuring compliance with the procurement, financial management and other fiduciary requirements under this Grant; and

   (d) Develop and adopt a project implementation manual, setting forth the allocation of functional responsibilities among implementing agencies, as well as the implementation guidelines, protocols and standards for the financial management, procurement, monitoring and evaluation and reporting requirements under the Project.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities, through the MOE a Project Preparation Team ("PPT") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the "Guidelines on Preventing and Combating
Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

2.03. **Institutional and Other Arrangements.**

1. The Recipient shall establish within MOE by no later than November 15, 2012, and thereafter maintain throughout the period of implementation of the Activities, a PPT, which shall report to the MOE’s Deputy Minister, comprised of a qualified and experienced Project Manager, field operation officer, survey specialists, financial management officer, procurement officer and monitoring and evaluation specialist, acceptable to the World Bank; under terms of reference satisfactory to the World Bank; which team shall be provided with sufficient functional authority, powers and resources so as to carry out the technical implementation of the Project’s preparatory Activities. Notwithstanding the foregoing, all procurement and financial management responsibilities during the implementation of the Activities shall be vested in ASDP Unit (as defined in sub-paragraph (b) herein);

2. The Recipient shall maintain within MOE, throughout the period of implementation of the Activities, the ASDF Unit established pursuant to Section 1.D.7 of Schedule 2 to the Financing Agreement between the Recipient and International Development Association for the financing of the Afghanistan Skills Development Project, dated March 10, 2008 (Grant H352-AF) (the “ASDP Project”); which unit shall be responsible for the Recipient’s compliance with the financial management and procurement requirement under this Agreement; and

3. The Recipient shall cause ASDP Unit to carry out the Project in accordance with the Financial Management Manual prepared by MOE pursuant to the ASDP Project.

2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation of the Activities.** (a) The Recipient shall monitor and evaluate the progress of the Activities and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Project Report shall cover the period of two calendar months, commencing in the first month of implementation of the Activities, and shall be furnished to the World Bank not later than fifteen (15) days after the end of the period covered by such report.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after
the end of each calendar quarter covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods and consultants’ services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods.**

(i) **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:
<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding*</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

*National Competitive Bidding procedures shall be subject to the following additional procedures:

(A) Standard bidding documents approved by the Association shall be used.

(B) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.

(C) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.

(D) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

(E) Foreign bidders shall not be precluded from bidding.

(F) Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.

(G) Bidders may deliver bids, at their option, either in person or by courier service or by mail.

(H) All bidders shall provide bid security or a bid security declaration form as indicated in the bidding documents. A bidder's bid security or the declaration form shall apply only to a specific bid.

(I) Bids shall be opened in public in one place preferably immediately, but no later than one hour after the deadline for submission of bids.

(J) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the Administrator.

(K) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Administrator.
L) Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, fresh bids shall be invited after receiving the concurrence of the Administrator.

M) Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity, so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.

N) Extension of bid validity shall not be allowed without the prior concurrence of the Administrator: (A) for the first request for extension if it is longer than eight (8) weeks; and (B) for all subsequent requests for extensions irrespective of the period.

O) Negotiations shall not be allowed with the lowest evaluated or any other bidders.

P) Re-bidding shall not be carried out without the Administrator's prior concurrence.

Q) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants' Qualifications; (B) Single-source Selection of consultant; (C) Fixed Budget Selection; (D) Quality Based Selection; (E) Least Cost Selection; (F) Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such
instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services, Training and Incremental Operating Costs for the Activities</td>
<td>494,200</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>5,800</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT 500,000

(c) For the purposes of this Section:

(i) the term “Incremental Operating Costs” means the incremental expenses incurred on account of implementation, support and management, including advertising expenses, car rentals, the operation and maintenance of vehicles, office rentals, office supplies, communication charges including internet charges, insurance costs, office administration costs, banking charges, utility charges, domestic travel and per diem allowances, but excluding salaries of officials of the Recipient’s civil service; and

(ii) the term “Training” means the reasonable costs of training, workshops and conferences relevant for the Project and carried out in the territory of the Recipient or, subject to the prior approval of the Association, attended abroad by MOE and/or MOLSA MD’s officials and staff, including the purchase and publications of materials, rental of facilities, course fees and travel and subsistence of trainers and trainees.

3.02. Withdrawal Conditions Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is April 30, 2013.

Article V
Recipient’s Representative; Addresses

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

5.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:
93-20-210-3258

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS Washington, D.C. Facsimile: 1-202-477-6391