Amended and Restated Afghanistan Reconstruction Trust Fund Grant Agreement

(Additional Financing for Power System Development Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as Administrator of the Afghanistan Reconstruction Trust Fund)

Originally March 19, 2009
(As Amended and Restated on July 29, 2015)
ARTF GRANT NUMBER TF093513

AMENDED AND RESTATED
AFGHANISTAN RECONSTRUCTION TRUST FUND
GRANT AGREEMENT

AGREEMENT, originally dated March 19, 2009, amended and restated on July 29, 2015, between:

ISLAMIC REPUBLIC OF AFGHANISTAN (the “Recipient”);

and the INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator (the “World Bank”) of grant funds (the “Grant Funds”) contributed by various donors (collectively the “Donors”) to the Afghanistan Reconstruction Trust Fund (“ARTF”), for the purpose of providing additional financing for the Project (as defined in the Appendix to this Agreement).

WHEREAS

(A) the ARTF Management Committee and the World Bank approved on October 22, 2008 a proposal for financing of the Original Project (as hereinafter defined) in the amount of sixty million United States Dollars ($60,000,000) (the “Original Grant”), on terms and conditions set forth or referred to in the Grant Agreement, dated March 19, 2009, as amended and restated on February 1, 2011, and further amended on January 19, 2012, November 13, 2012, and July 9, 2013 (together, the “Original Grant Agreement”);

(B) the Recipient requested, and the ARTF Management Committee and the World Bank approved on July 7, 2015, a proposal: (i) for additional financing for the Project (as hereinafter defined) in the amount of fifteen million United States Dollars ($15,000,000) (the “Additional Grant”); (ii) that the Recipient assign to Da Afghanistan Breshna Sherkat (the “Project Implementing Entity”) responsibility for the implementation of the Project; and (iii) that Part C of the Project be amended to support such implementation by the Project Implementing Entity.

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

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


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

Article II
The Project

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

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

Article III
The Grant

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

(a) a grant in an amount equal to sixty million United States Dollars ($60,000,000) ("Original Grant"); and

(b) a grant in an amount equivalent to fifteen million United States Dollars ($15,000,000) ("Additional Grant") (the Original Grant and the Additional Grant are collectively referred to herein as the "the Grant");

in each case, to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
3.03. The Grant is funded out of the ARTF for which the World Bank receives periodic contributions from the Donors to the ARTF. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the ARTF, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

3.04. The amount of the Grant as approved by the ARTF Management Committee accordingly shall be available to the Recipient.

Article IV
Recipient’s Representative; Addresses

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

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:
+93202103258

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

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

Facsimile:
+1-202-477-6391
AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

[Signature]

Authorized Representative

Name: Shafiq Ahmad Shirzada
Title: Deputy Minister for Policy

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

By

[Signature]

Authorized Representative

Name: _________________________
Title: _________________________
SCHEDULE 1

Project Description

The objective of the Project is to increase the number of electricity connections for the urban centers of Charikar, Gulbahar and Jabul-es-Seraj and Pul-e-Khumri and to improve the availability of power from Naghlu and Mahipar switchyards.

The Project consists of the following parts:

Part A: Distribution System Rehabilitation

Carrying out investments aimed at: (i) building a new medium and low voltage system; and (ii) rehabilitation and installation of missing parts of the low and medium voltage distribution system in areas where the distribution network already exists.

Part B: Rehabilitation of Transmission Switchyards

Carrying out investments aimed at rehabilitating transmission switchyards at Naghlu and Mahipar hydropower stations.

Part C: Institutional Capacity Building and Project Management Support

(i) Provision of training to DABS staff in project and contract management tasks including financial, and procurement management and technical areas related to the energy sector, including energy efficiency; and

(ii) Provision of Project management and implementation support for Part A, B of the Project.

In addition, the Project includes the Original Part C (as hereinafter defined), the activities which were eligible for financing out of the proceeds of the Grant up to but not including the date of this Agreement.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient hereby assigns to the Project Implementing Entity the responsibility for overall management and coordination of the Project as and from the date of this Agreement, and to this end, the Recipient shall: (a) take all actions, including ensuring the provision of funds, facilities, services, and other resources, necessary or appropriate for the carrying out of the Project by the Project Implementing Entity; (b) not take or permit to be taken any action which would prevent or interfere with the carrying out of the Project.

2. Notwithstanding the foregoing, the Recipient shall retain responsibility for all implementation activities undertaken by the Recipient, through MEW, under the Original Project, including the Original Part C of the Project, up to but not including the date of this Agreement, and including, without limitation, its obligations under Section I.B, Section I.C, Section II and Section III of Schedule 2 to the Original Grant Agreement. At the request of the World Bank, the Recipient shall furnish to the World Bank all such information with regard to the foregoing implementation obligations as the World Bank may reasonably request.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”)

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

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

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient’s financial and narrative progress reports submitted to the World Bank; (iii) the Recipient’s financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient’s implementation documentation (including sub-agreements,
procurement files, contracts, purchase orders); and (v) the corresponding
supporting evidence referred to in Section 3.04 of the Standard Conditions;
and

(b) the representatives of the World Bank are: (i) able to examine all records
referred to above in paragraph (a); (ii) provided all such information
concerning such records as they may from time to time reasonably request;
and (iii) able to disclose such records and information to the Donor(s).

B. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare
Project Reports in accordance with the provisions of Section 2.06 of the Standard
Conditions and on the basis of indicators acceptable to the World Bank. Each
Project Report shall cover the period of one calendar quarter, and shall be furnished
to the World Bank not later than forty five (45) days after the end of the period
covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the
provisions of Section 2.06 of the Standard Conditions. The Completion Report
shall be furnished to the World Bank not later than six (6) months after the Closing
Date.

C. Financial Management; Financial Reports; Audits

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

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

3. The Recipient shall have its Financial Statements for the Project audited in
accordance with the provisions of Section 2.07 (b) of the Standard Conditions.
Each such audit of the Financial Statements shall cover the period of one fiscal
year of the Recipient. The audited Financial Statements for each such period shall
be furnished to the World Bank not later than six months after the end of such
period.
Section III.  Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


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

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

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to additional provisions agreed upon from time to time between the Recipient and the World Bank and set forth in the Procurement Plan; (b) Shopping; and (c) Direct Contracting.
C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

E. Document Retention

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) 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 table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<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) Goods, works, training, consultants’ services and Incremental Operating Costs for the Project</td>
<td>75,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>75,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to the amount of the Original Grant may be made prior to this date but on or after March 19, 2009.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is May 31, 2017.
APPENDIX

Definitions

1. “ARTF Management Committee” means the committee established pursuant to Section 5 of the standard terms and conditions governing contributions to the Afghanistan Reconstruction Trust Fund (TF No. 050576), responsible for, inter alia, overseeing the activities of the Trust Fund and for resource allocation decisions with respect to the Grant Funds.

2. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “DABS” means Da Afghanistan Breshna Sherkat, a government owned corporation established and operating in accordance with its Articles of Incorporation approved by the Cabinet of Ministers on March 17, 2008, or any successor thereto.

4. “Displaced Persons” means persons who, on account of the implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income source or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.

5. “Environmental and Social Management Framework” or “ESMF” means the Project Implementing Entity’s framework disclosed on June 22, 2015, acceptable to the World Bank, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental and Social Management Plans and Resettlement Action Plans, as may be required for Project activities, as said framework may be modified from time to time by agreement between the Project Implementing Entity and the World Bank.

6. “Environmental and Social Management Plan” or “ESMP” means, individually, each of the Project Implementing Entity’s environmental and social management plans, as may be required to be prepared in accordance with the ESMF and Section I.C of the Schedule to the Project Agreement, acceptable to the World Bank, which sets out the mitigation, enhancement, monitoring and institutional measures, including capacity building through training, required to: (i) eliminate adverse environmental impacts of activities to be implemented under the Project; (ii) offset them, or reduce them to acceptable levels; (iii) enhance any positive impacts.
thereof; and/or (iv) ensure compliance with the Recipient’s statutory environmental requirements, as such plan may be revised, updated or supplemented from time to time by agreement between the Project Implementing Entity and the World Bank; and “Environmental and Social Management Plans” means, collectively, all such plans

7. “Incremental Operating Costs” means the incremental expenses incurred on account of Project implementation, support and management, including the rental of office space, the operation, maintenance, rental and insurance of vehicles, fuel costs, communications and supplies and charges, advertisement expenses, books and periodicals, office and administration and maintenance costs, bank transaction charges, utility charges, domestic and international travel and per diem, but excluding salaries of officials of the Recipient’s civil service.


9. “Mine Risk Management Procedures” means the Procedures for mine risk management in World Bank-funded projects in Afghanistan, as described in Attachment 5 to the Environment and Social Safeguards Management Framework and that prescribes various measures and procedures to be followed for carrying out activities that could involve, or could potentially involve, exposure or contact with unexploded ordinances or mines.

10. “Original Project” means the Project as described in Schedule 1 to the Original Grant Agreement.

11. “Original Part C of the Project” means Part C of the Original Project providing for institutional capacity building and project management support under the Original Grant Agreement, eligible for financing up to but not including the date of this Agreement and consisting of: (i) Establishment of a unit within MEW to promote energy efficiency and demand side measures, implementation of selected energy efficiency and demand side pilots, and preparation and implementation of a communication strategy for awareness among consumers; (ii) Provision of training to MEW staff in project and contract management tasks including financial, and procurement management and technical areas related to the energy sector, including energy efficiency; (iii) Carrying out baseline studies and communication with stakeholders; (iv) Provision of Project management and implementation support for Part A, B and C(ii), (iii), (v) of the Project, and under the Emergency Power Rehabilitation Project (Credit No. 3933-AF, ARTF Grant No. TF054718) and the Kabul, Aybak and Mazar-e-Sharif Power Project (ARTF Grant No. 091120) and; (v) Support for the preparation of a Central Asia South Asia Electricity Transmission and Trade Project (CASA-1000).
13. "PIT" means the specialized Project implementation team referred to in Section I.A.1 of the Schedule to the Project Agreement, to be maintained within the Project Implementing Entity for the purposes of providing, until completion of the Project, management, planning, coordination and monitoring support.

14. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated January 14, 2013, as amended to the date of this Agreement, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. "Project Agreement" means the agreement between the World Bank and the Project Implementing Entity relating to the implementation of the Project, as such agreement may be amended from time to time. “Project Agreement” includes all appendices, schedules and agreements supplemental to the Project Agreement.


17. "Social Impact Mitigation Plan" means the plan to be prepared by the Recipient in a manner satisfactory to the World Bank which sets out the procedures and guidelines for land acquisition and resettlement under the Project.

18. “Resettlement Action Plan” or “RAP” means, individually, each of the Project Implementing Entity’s resettlement action plans, as may be required to be prepared in accordance with the ESMF and Section LC of the Schedule to the Project Agreement, acceptable to the World Bank, which sets out the: (a) principles and procedures governing the acquisition of land required for the Project; (b) Displaced Persons as a result of Project activities; (c) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (d) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Project activities; and (e) principles and procedures for consultation, grievance redressal, reporting and monitoring requirements, as said plan may be revised from time to time by agreement between the Project Implementing Entity and the World Bank; and “Resettlement Action Plans” means, collectively, all such plans.

19. “Safeguards Instruments” means the ESMF and, if required, the Resettlement Action Plan(s) and Environmental and Social Management Plan(s).

20. "Training" means the costs associated with the training and workshop participation of personnel involved in Project supported activities, including travel and subsistence costs for training participants, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop.