ARTF GRANT NUMBER TF015003

Afghanistan Reconstruction Trust Fund Grant Agreement

(Afghanistan Agricultural Inputs Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as Administrator of the Afghanistan Reconstruction Trust Fund)

Dated June 30, 2013
ARTF GRANT NUMBER TF015003

AFGHANISTAN RECONSTRUCTION TRUST FUND
GRANT AGREEMENT

AGREEMENT dated , 2013, entered into between the Islamic Republic of Afghanistan ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), 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").

The Recipient and the World Bank hereby agree as follows:

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 objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Ministry of Agriculture, Irrigation and Livestock ("MAIL") in accordance with the provisions of Article II of the Standard Conditions.

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

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seventy-four million seven hundred fifty thousand United States Dollars (\$74,750,000) ("Grant") to assist in financing the Project.

3.02. Additional Grant Funds may be added to the Grant as Donor contributions to ARTF are made from time to time, and depending inter alia on progress in Project implementation. The World Bank shall promptly notify the Recipient of such contributions and any ensuing increase in the amount of the Grant, and shall take all necessary action required on its part to modify this Grant Agreement in order to reflect the increase in available Grant Funds.

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

3.04. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. 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 abovementioned Trust Fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

3.05. 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 responsible for finance.

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

Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:
0093202103258
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  

Cable: Telex: Facsimile:  
INDEVAS 248423 (MCI) or 1-202-477-6391  
Washington, D.C. 64145 (MCI)  

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

ISLAMIC REPUBLIC OF AFGHANISTAN  

By  

Authorized Representative  

Name: Hazrat Omar Zakhiliwal  
Title: Minister of Finance  

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

By  

Authorized Representative  

Name: Robert J. Saum  
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is strengthened institutional capacity for safety and reliability of agricultural inputs and sustainable production of certified wheat seed.

The Project consists of the following parts:

Part 1. Improved Wheat Seed Production

(a) Varietal Selection and Production of Breeder Seed

Carrying out of a program of activities designed to increase the number of wheat seed varieties and improve the production efficiency of breeder seed, including: (i) carrying out of minor land developments, irrigation works, and construction and/or rehabilitation of farm buildings at the Agricultural Research Institute of Afghanistan (“ARIA”) farms outside the Jalalabad area; (ii) carrying out of minor land developments, irrigation works, and construction and/or rehabilitation of farm buildings at ARIA farms in the Jalalabad area; (iii) provision of farm and office equipment required for the purpose; and (iv) provision of training and technical assistance to build the capacity of ARIA staff for breeder seed development.

(b) Production of Foundation and Registered Seed

Carrying out of a program of activities designed to improve the efficiency of multiplication of breeder seed into foundation and registered seed at the Improved Seed Enterprise (“ISE”), such program to include: (i) carrying out of minor land developments, irrigation works, and construction and/or rehabilitation of farm buildings at the ISE farms outside the Jalalabad area; (ii) carrying out minor land developments, irrigation works, and construction and/or rehabilitation of farm buildings at ISE farms in the Jalalabad area; (iii) provision of farm and office equipment required for the purpose; and (iv) provision of training and technical assistance to build the capacity of ISE staff for foundation and registered seed development.

(c) Coordination of Seed Sector

Carrying out of a program of activities designed to enhance the capacity of the: (i) National Seed Board for coordination of the seed industry; and (ii) the Afghanistan National Seed Organization (“ANSOR”) for its facilitation and coordination role of Private Seed Enterprises.
Part 2. Plant Quarantine Networks and Quality Control of Agro-chemicals

(a) Quality Control of Agro-Chemicals

Carrying out of a program of activities designed to enhance the capacity of MAIL for implementation of the quality control of agro-chemicals, such program to include: (i) establishing an office for pesticides registration, administration and quality control and establishing requirements for pesticide registration; (ii) construction of a pesticides formulation analysis laboratory, a pesticides residue laboratory, a pesticides poisoning management center, a pesticides quality control laboratory, and a fertilizer analysis laboratory; (iii) provision of pesticide bio-efficacy trial equipment; and (iv) strengthening the fertilizer quality control inspection system.

(b) Plant Quarantine Network

Carrying out of a program of activities designed to enhance the capacity of MAIL for implementation of the plant quarantine network, such program to include: (i) construction of about 13 plant quarantine stations and an insect pests and disease diagnostic facility; and (ii) carrying out of a nation-wide insect pests and diseases survey and pests risk analysis.

(c) Implementation of the Pest Management Plan.

Part 3. Input Delivery Systems

(a) Carrying out an analysis of the Recipient’s current agricultural input delivery systems, including analyzing data from surveys on: (i) farm level production activities for wheat and other major crops, including farm budgets, input use, working capital requirements and sources, yields and post-harvest losses; and (ii) inputs distribution networks for major inputs.

(b) Based on information obtained under Part 3 (a) above, development of a plan of action for investment activities in inputs delivery systems, including selected piloting of such investment activities; piloting creation of alternative forms of input delivery systems; and piloting information and communications technology applications in agricultural inputs delivery systems.

Part 4. Project Management and Monitoring

Carrying out a program of activities designed to support the management and monitoring of the Project, including strengthening the capacity of MAIL for Project implementation, coordination, management, financial management, procurement, monitoring and evaluation, and management of information systems.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional and Implementation Arrangements

1. MAIL

The Recipient shall vest the overall responsibility for Project implementation in MAIL.

2. Project Steering Committee

The Recipient shall maintain, throughout Project implementation period, the Project Steering Committee: (a) chaired by the technical deputy Minister for agricultural affairs; (b) comprised of, *inter alia*, the director general of policy and planning directorate, the Project director, at least four directors of MAIL involved in the Project, a representative of MoF, and the chairman of the National Seed Board; and (c) to be responsible for approval of the Project annual work plan and approval of the Project deliverables. To this end, the Recipient shall ensure that the Project Steering Committee shall meet every three (3) months.

3. Implementation Management Support Team

In order to ensure prompt and efficient day to day implementation of the Project, the Recipient shall maintain the Implementation Management Support Team with resources and mandate acceptable to the World Bank: (a) headed by a Project director; (b) comprised of qualified and experienced staff in adequate numbers, including technical specialists, financial management specialists and procurement specialists; and (c) with responsibility for day to day management of the Project, including coordination of implementation arrangements among various agencies involved in Project implementation, procurement, financial management, reporting, and monitoring and evaluation of Project.


(a) The Recipient shall by not later than July 31, 2013, prepare a Financial Management Manual, in form and substance acceptable to the World Bank, and thereafter, carry out the Project in accordance with the Financial Management Manual; and except as the World Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Financial Management Manual or any provision thereof.
(b) In the event of any conflict between any of the provisions of the Financial Management Manual and the provisions of this Agreement, the latter shall prevail.

B. Safeguards

1. The Recipient shall carry out the Project in accordance with the provisions of the Pest Management Plan, the Environmental and Social Management Framework and each Environmental and Social Management Plan required thereunder.

2. The Recipient shall, prior to commencing each activity under the Project, including but not limited to construction or rehabilitation activity: (a) carry out a screening of such activities for any potential environmental and/or social impacts; and (b) have all Environmental and Social Management Plans required under the Environmental and Social Management Framework: (i) prepared in accordance with the provisions of the Environmental and Social Management Framework; (ii) submitted to the World Bank for its prior review and approval; and (iii) thereafter adopted and locally disclosed.

3. The Recipient shall ensure that no land acquisition or Involuntary Resettlement shall be carried out under or in connection with the Project.

4. Except as the World Bank shall otherwise agree in writing, the Recipient shall not amend, abrogate or waive any provision of the Pest Management Plan, the Environmental and Social Management Framework or any Environmental and Social Management Plan.

5. In the event of a conflict between any of the provisions of the Pest Management Plan, the Environmental and Social Management Framework or any Environmental and Social Management Plan and those of this Agreement, the latter shall prevail.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. 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 three months after the Closing Date.

B. 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. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. 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 table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Methods:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional provisions set forth in subparagraph 3 of this Section B</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) Shopping</td>
</tr>
</tbody>
</table>

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

- (a) Standard bidding documents approved by the World Bank 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 World Bank.

(k) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.

(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, then fresh bids shall be invited after receiving the concurrence of the World Bank.

(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 World Bank (A) for the first request for extension if it is longer than four (4) weeks, and (B) for all subsequent requests for extensions irrespective of the period in case of prior review.

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

(p) Re-bidding shall not be carried out without the World Bank’s prior concurrence in case of prior review.

(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.
C. Particular Methods of Procurement of Consultants’ Services

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

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection under Fixed Budget</td>
</tr>
<tr>
<td>(e) Single-source procedures for the Selection of Individual Consultants.</td>
</tr>
<tr>
<td>(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Single-source Selection of consulting firms</td>
</tr>
</tbody>
</table>

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.

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, non-consulting services, consultants’ services, Training and Incremental Operating Costs for the Project (except for Parts 1(a)(ii) and 1 (b)(ii) of the Project).</td>
<td>72,397,200</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Good, works and consultants’ services for Parts 1(a)(ii) and 1 (b)(ii) of the Project.</td>
<td>1,852,800</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incentive Payments.</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>74,750,000</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:

   (a) made prior to the date of this Agreement.

   (b) under Category (2) unless and until the Recipient has: (i) in accordance with terms of reference agreed with the World Bank, conducted a review of plant disease risks in the Jalalabad area and prepared a report on the findings of such review; (ii) submitted said report to the World Bank for its review and recommendations; and (iii) implemented any actions
recommended by the World Bank, in a manner satisfactory to the World Bank.

(c) under Category (3) unless and until the Recipient has prepared and adopted a detailed plan acceptable to the World Bank setting forth eligibility criteria, payment structure and other implementation arrangements for the Incentive Payments.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is June 30, 2018.
APPENDIX
Definitions


2. “ANSOR” means the Afghanistan National Seed Organization, registered and operating pursuant to the provisions of the Recipient’s National Seed Law of 2009.

3. “ARIA” means Agricultural Research Institute of Afghanistan under the General Directorate of Research of MAIL and responsible for the plant variety selection and breeder seeds production.

4. “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.


6. “Environmental and Social Management Framework” and the acronym “ESMF” mean the Recipient’s Environmental and Social Safeguards Management Framework dated August 20, 2012 setting forth, inter alia: (i) key policy principles for social and environmental management; (ii) measures to guide the screening of activities for significant social and environmental impacts, and to assist in the mitigation of such impacts; (iii) procedures to ensure that these principles and measures are appropriately applied; and (iv) guidelines for capacity building and monitoring, as the same may be updated from time to time with the written agreement with of the World Bank.

7. “Environmental and Social Management Plan” and the acronym “ESMP” mean each plan which may be required to be prepared during the implementation of the Project in accordance with the ESMF, pursuant to Section I.B.2 of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the World Bank, and defining details of measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and/or social impacts associated with the implementation of any activities under the Project,
together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; and "EMPs" means, collectively, all such plans.

8. "Financial Management Manual" means the financial management manual to be prepared in accordance with Section I.A.4 of Schedule 2 to this Agreement, setting out the financial management arrangements for the Project, including roles and responsibilities of the financial management staff, documentation and approval procedures for payments, Project reporting requirements and quality assurance measures, as the same may be updated from time to time with the written agreement of the World Bank.

9. "Implementation Management Support Team" means the team referred to in Section I.A.3 of Schedule 2 to this Agreement.

10. "Incentive Payments" means incremental payments to be made to civil servants working directly for the Project in accordance with eligibility criteria set forth in the plan referred to in Section IV.B.1(c) of Schedule 2 to this Agreement.

11. "Incremental Operating Costs" means the Project-related 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; communications supplies and charges; advertisements; books and periodicals; office administration and maintenance costs; bank transaction charges; utility charges; domestic travel and per diem, but excluding salaries of officials and staff of the Recipient’s civil service.

12. "Involuntary Resettlement" means the following caused on account of Project implementation: (a) the involuntary taking of land, resulting in (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not the affected person 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 the affected person.

13. "ISE" means the Improved Seed Enterprise, established as a state owned seed company and operating pursuant to the National Seed Law of 2009.


16. "Pest Management Plan" means the plan dated August 20, 2012 setting forth the measures designed to minimize potential adverse impacts on human health and the environment by describing pest and pesticide management issues relevant to the Project, including a list of pesticide products authorized for procurement under the project, and provisions for adding or deleting materials, and to advance ecologically based integrated pest management by providing a strategy and plan for its implementation, as the same may be updated from time to time with the written agreement of the World Bank.


18. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 29, 2013 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.

19. "Project Steering Committee" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

20. "Private Seed Enterprises" means the private seed enterprises individually registered with the Afghanistan Investment Support Agency and operating pursuant to the provisions of the Recipient's National Seed Law of 2009.


22. "Training" means the reasonable expenditures, approved by the World Bank, to finance the cost of training activities, workshops and seminars related to the Project, including travel and subsistence costs for training participants, scholarships for masters and doctoral studies as set forth in the Project training manual, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop.