Afghanistan Reconstruction Trust Fund
Grant Agreement

(On-Farm Water Management Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

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

Dated March 16, 2011
AGREEMENT dated March 16, 2011, entered into between:

The ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator of the
Afghanistan Reconstruction Trust Fund ("World Bank").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various
Funds, dated July 31, 2010 ("Standard Conditions"), constitute an integral part of
this Agreement.

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 (including Section I of the Appendix to 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
carry out the Project through 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 forty one
million United States Dollars ($41,000,000) ("Grant") 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 abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that the Water Law (1388) shall have been amended, suspended, abrogated, repealed or waived, whether in whole or in part, so as to materially and adversely affect: (a) the ability of the Recipient to perform any of its obligations under this Agreement; and (b) the achievement of the Project’s development objectives.

Article V
Recipient’s Representative; Addresses

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

5.02. 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:
93-20-210-3258

5.03. 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:
AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By/s/ H.E. Omar Zakhilwal

Authorized Representative

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

By/s/ Nicholas Krafft

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve agricultural productivity in the Project Areas by enhancing the efficiency of water used.

The Project consists of the following parts:

Part A: On-Farm Water Management

1. Carrying out social mobilization for the establishment of Irrigation Associations (IAs) in the Project Areas, including, *inter alia*: the provision of: (a) training to communities in organization and management of IAs; (b) facilitation services for communities to develop the IAs’ internal legal rules and regulations (by-laws); (c) assistance to IAs in order for them to be registered under the Water Law (1388); and (d) technical training to IAs regarding water distribution, maintenance of irrigation infrastructure, irrigation methods, water-saving techniques, crop-water requirements, and good agronomic practices.

2. Carrying out engineering surveys and on-farm water management infrastructure improvements to small irrigation schemes or tertiary canals (watercourses) covering approximately 50,000 ha in the Project Areas, including, *inter alia*: (a) canal lining; (b) construction of control structures; (c) land leveling; (d) field-level irrigation methods (furrows/basins); (e) construction of water storage tanks, culverts, laundry basins and cattle troughs, as well as intakes for small irrigation schemes.

3. Establishing approximately five (5) easily accessible pilot irrigation demonstration sites in each Project Area to showcase improved water management practices/technology and agronomic water saving techniques/measures, as well as proper farm planning and layout for an efficient use of irrigation water.

Part B: Institutional Strengthening and Capacity Building of MAIL

Developing the institutional capacity of MAIL to plan, design, implement and monitor on-farm water management programs, including, *inter alia*: (a) strengthening of MAIL’s General Directorate of Irrigation at national, provincial and district levels; (b) liaising with foreign states to train and capacitate the Recipient’s staff, thereby transferring on-farm water management know-how; and (c) developing a database covering irrigation systems throughout the country.

Part C: Project Management, Coordination, Monitoring & Evaluation

Strengthening the institutional capacity of MAIL for Project implementation, monitoring and evaluation, by establishing and maintaining a Project Implementation
Unit comprised of a Kabul-based core team, five (5) Project Area Teams and internationally recruited experts.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Project Implementation Structure

The Recipient shall vest the overall responsibility for Project implementation in MAIL, and to that end shall:

(a) maintain within MAIL, throughout the period of implementation of the Project, a Project Implementation Unit (the “PIU”), to be headed by a Project Director, with qualifications and experience acceptable to the World Bank, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the World Bank, comprising, inter alia, technical subject matter specialists, financial management, procurement and safeguard specialists, and an internal auditor and a Project Area Team for each for the Project Areas; which unit shall be assigned with such functions and responsibilities, satisfactory to the World Bank, as shall be required for the day-to-day implementation of the Project, including: (i) liaising with the fiduciary directorates of MAIL; (ii) monitoring and reporting to the ARTF-MC and the World Bank on the physical and financial progress of the Project; (iii) developing, hosting and implementing the Project’s management information system; (iv) coordinating and supervising the work of the Project Area Teams; (v) liaising with CDCs; and (vi) carrying out of all procurement and financial management activities under the Project. The Project Director of the PIU shall report to MAIL’s general directorate of irrigation regarding any technical aspects of the Project, and to MAIL’s general directorate of programs for purposes of ensuring synergies and coordination regarding sectoral development initiatives;

(b) establish within the PIU by no later than April 1, 2011 for each of the Project Areas, and thereafter maintain throughout the period of implementation of the Project, Project Areas Teams comprised of qualified and experienced water management and social mobilization specialists, surveyors, engineers, agronomists, data officers, laser leveling operators, monitoring and evaluation economists, and administrative and financial support staff, to be responsible for: (i) the selection and surveying of schemes eligible for on-farm water management investments; (ii) the design of civil works; (iii) dissemination of water management techniques; (iv) facilitation of participatory monitoring through IAs; (v) data collection, supervision and the monitoring of contract performance; and (vi) establishment of demonstration sites and demonstration of improved irrigation techniques and extension of associated crop management technologies;
establish, by no later than March 1, 2011, and thereafter maintain, throughout the period of implementation of the Project, an internal control/external audit unit within MAIL’s general directorate of programs, reporting directly to the Minister of MAIL, under terms of reference satisfactory to the World Bank;

d) establish, by no later than March 1, 2011, and thereafter maintain, throughout the period of implementation of the Project, a budget committee, chaired by the Deputy Minister for irrigation and Infrastructure of MAIL, and comprised of representatives of the Recipient’s Minister of Finance, MAIL’s general directorate of programs, and the PIU, as detailed in the Financial Management Manual, which committee shall be vested with such functions, resources and competencies, satisfactory to the World Bank, as shall be required for purposes of overseeing the overall budgeting process for the Project, including quarterly reviews of incurred and forecasted expenditures, preparation of Annual Implementation Plans, and compliance with governmental budgeting principles, policies and procedures;

e) select, by no later than April 30, 2011, and thereafter maintain throughout the period of implementation of the Project, a team of international experts acceptable to the World Bank, comprised of a water management specialist, an irrigation design engineer, and agronomist, an economist specialized in monitoring and evaluation techniques, an water institutions specialist, and social and environmental safeguards specialist, all of them to be employed under terms of reference satisfactory to the World Bank, in order to assist the PIU in executing the Project, including: (i) reviewing and assessing the engineering surveys; (ii) reviewing and approving the plans and designs for civil works/watercourse improvements; (iii) reviewing and confirming the costs estimates for all planned project works and equipment; (iv) carrying out random spot checks and quality control of civil works design, construction, and installations; (v) carrying out the certification of performance/delivery of contractual obligations; (vi) carrying out the preparation of procurement documents; (vii) evaluation of technical and financial proposals; (viii) carrying out the design of data collection protocol for the Project, including technical specifications thereof; and (ix) providing assistance for training of staff, farmers and other stakeholders in various aspects related to the Project; and

f) select, by no later than April 30, 2011, and thereafter maintain throughout the period of implementation of the Project, duly qualified and experienced monitoring and evaluation consultants (the “M&E Consultants”), satisfactory to the World Bank, under terms of reference acceptable to the World Bank, to assist the PIU in executing the Project, including: (i) carrying out surveys to establish baseline indicators in both targeted and control irrigation schemes; (ii) supervising, monitoring and
evaluating (data analysis) Project implementation, (iii) preparing Project reports, mid-term review reports and Project impact assessments; (iv) implementing, and complying with, the ESMF, the PMP and, when applicable, the ESMP and RAP; and (v) assessing the extent to which the Project’s developmental objectives are being achieved.

B. Implementation Documents

The Recipient shall:

(a) ensure that the Project is carried out pursuant to the Field Operations Manual, the Project Implementation Plan and the Financial Management Manual;

(b) refrain from amending, suspending, waiving, cancelling or abrogating the Field Operations Manual, the Project Implementation Plan, and the Financial Management Manual, whether in whole or in part, without the prior written concurrence of the World Bank.

C. Improvements to Water Management Infrastructure

1. For purposes of carrying out the social mobilization activities under Part A.1 of the Project, the Recipient shall select qualified and experience facilitating partners, identified in accordance with the provisions of the Field Operations Manual and the Project Implementation Plan, in order to assist the PIU and the Project Area Teams in the implementation of the Project, including: (i) the mobilization, organization and registration of IAs; (ii) facilitation of linkages between IAs and CDCs; (iii) mediation in conflicts/disputes arising among member of the IAs during Project implementation; (iv) training of IAs on civil work supervision and monitoring techniques, as well as proper operation and maintenance of improved/rehabilitated watercourses/irrigation schemes; (v) assistance for the collection and administration of farmers/water users operation and maintenance payments/contributions; and (vi) final verification and certification of completion of works and quality thereof.

2. In carrying out Part A.2 of the Project, the Recipient shall select the irrigation schemes and/or watercourses to be rehabilitated/improved in accordance with the following criteria:

(a) the number of irrigation schemes and watercourses to be intervened shall be evenly distributed among the Project Areas;

(b) any proposed large or medium scale irrigation schemes shall be served by main and secondary canals rehabilitated under the EIRP and in good working conditions;
the irrigation schemes/watercourses shall have a flow rate of less than 500 liters per second, and an average geographic coverage of approximately 300 ha;

(d) the identified sites shall show clear evidence of on-farm water management problems (e.g. high water losses; tail-end water shortages; water seepage, leaking, overtopping or spilling; etc.);

(e) the nearby served communities/CDCs have requested the intervention, and the benefiting farmers/communities should have formed and registered IAs in accordance with the Water law (1388);

(f) the benefiting farmers/communities must be willing to contribute at least ten percent (10%) of the overall costs of the improvement/rehabilitation either in cash or in kind;

(g) the selected watercourses or irrigation schemes shall: (i) not present any of the attributes contemplated in the negative list set out in the ESMF; (ii) involve additional or alterations that require rehabilitation, construction or other changes that, in the World Bank’s judgment may: (A) adversely change the quality or quantity of water flows to the other riparians, or (B) be adversely affected by the other riparians possible water use; and

(h) the proposed intervention shall: (i) increase the synergies with other bilaterally or multi-laterally financed development projects; and (ii) not exceed the original scheme, alter its nature, or expand its scope so as to make it appear a new or different scheme.

3. In carrying out Part A.3 of the Project, the Recipient shall select the farms to be used as irrigation demonstration sites in accordance with the following criteria:

(a) the sites shall be evenly distributed among the Project Areas

(b) the sites shall have adequate and reliable/assured water source (i.e. canal supply or operational tube-well with water of suitable quality for irrigation);

(c) the sites should preferably be located on main/brick-solid roads and be easily accessible;

(d) the soil at the sites shall be: (i) suitable for growing the main crops in the area; (ii) not be severely degraded (e.g. due to water logging; salinization; alkalinization; etc.); and (iii) of approximately 1 or 2 ha in size;

(e) the sites’ topography shall not be broken by deep ditches/ravines or other obstacles;
(f) the sites’ owners/tenants/lessees must be willing to: (i) contribute a minimum of ten percent (10%) of the overall costs of the improvement, whether in cash or in kind; (ii) mobilize resources for the operation and maintenance of their respective demonstration sites; (iii) provide support and assistance to MAIL’s staff and contractors regarding the implementation of surveys, the installation of equipment and the carrying out of civil works in connection therewith; and (iv) follow the advice of MAIL’s staff for the maintenance of the demonstration sites and crop production;

(g) the owners, tenants or lessees shall: (i) cultivate themselves the sites; (ii) own most of the farm machinery/equipment for the cultivation of the major crops; (iii) not have defaulted on any loans or amounts due to revenue or financial institutions in the last ten (10) years; (iv) have agreed, in writing, not to sell, donate, hand over, or transfer the title, use or possession of the sites within the period of Project implementation; and (v) have agreed to facilitate personnel working at the site to be trained in new water management interventions and operation, trouble shooting/repair and maintenance of the sites’ infrastructure; and

(h) the title, use or possession of the sites should be free from any liens, mortgage, seizure, pledge or legal disputes.

4. Prior to carrying out any civil works under the Project, the Recipient shall enter into a written agreement with the selected IAs for purposes of Part A.2 of the project, or with the farmers owning, leasing or in legal possession of the selected demonstration sites for purposes of Part A.3 of the Project, under terms and conditions acceptable to the World Bank, including: (i) the provision of minimum counterpart funding set forth in paragraphs 2(f) and 3(f) above; (ii) the commitment to support and assist MAIL staff, or any supply & services companies or Project consultants in their carrying out of activities for the Project in the targeted site, including site surveys, installation of equipment and/or any civil works; (iii) the commitment to operate and maintain the equipment and/or improved/rehabilitated infrastructure for a reasonable period of time; and (iv) granting of permission to Donors and World Bank staff to access the premises and carry out un-announced site inspections for monitoring and supervision purposes.

D. **Institutional Strengthening and Capacity Building**

In carrying out the activities under Part B of the Project, the Recipient shall enter into cooperation arrangements with foreign states versed in water management issues and/or their sub-sovereign agencies acceptable to the World Bank, under terms of reference satisfactory to the World Bank, in order to devise, coordinate and implement training programs for the Recipient’s staff in applied on-farm water management practices and techniques, including, *inter alia*: (a) social mobilization; (b) field surveying, farm layout planning and precision land
leveling; (c) water flow measurements; (d) designing of tertiary canals (watercourses); (e) canal lining and improvement and construction of control structures; (f) cost estimation of physical irrigation infrastructure; (g) high efficiency irrigation systems; (h) irrigation extension and water management agronomical; and (i) profitable irrigated farming.

E. Annual Implementation Plan

The Recipient shall:

(a) prepare by no later than December 20 of each year, commencing on December 20, 2011, and furnish to the World Bank for review and comments, a detailed Annual Implementation Plan setting out the time-bound program of Project activities by component and sub-component for the Recipient’s following Fiscal Year, including: (i) a forecast of the funds required for Project implementation, with a breakdown by expected financial sources; (ii) an update of Project’s disbursement profile; (iii) the Project indicators to be achieved during the fiscal year covered by the plan; and

(b) thereafter, implement the Project activities during the respective Fiscal Year pursuant to such plan as so discussed and agreed with the World Bank.

F. Safeguards

1. The Recipient shall implement the Project in accordance with sound environmental and social principles, practices and standards, acceptable to the World Bank, as reflected in the Environmental and Social Management Framework (the “ESMF”), the ESMP deriving therefrom, and the Pest Management Plan (the “PMP”), as well as the environmental and social mitigation measures and monitoring requirements set forth therein.

2. Without prejudice to paragraph 1 above, prior to commencing any civil works under Parts A.2 and A.3 of the Project, the Recipient shall screen the proposed civil works in accordance with the ESMF and PMP and, if necessary, prepare and/or cause to prepare an Environmental Management Plan and/or Resettlement Action Plan, satisfactory to the World Bank, and thereafter implement and/or cause to implement such plans as so agreed with the World Bank.

3. The Recipient shall refrain from amending, suspending, waiving or cancelling the applicability to Project activities of the ESMF and the PMP, or, as the case may be, the respective ESMP and RAP, whether in whole or in part, without the prior written concurrence of the World Bank.

4. The Recipient shall ensure that no activities involving land taking will be carried out under the Project. In the event that any land acquisition is required for the
Project, the Recipient shall, in consultation with the World Bank, ensure that such land is obtained as a voluntary donation or bequeath, or on a willing-buyer-willing-seller basis, and that all those circumstances be fully documented and independently verified.

G. 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 ("Anti-Corruption Guidelines"), with the modifications set forth in Section II of the Appendix to this Agreement.

H. Donors Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project through the Afghanistan Reconstruction Trust Fund.

2. 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.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. (a) 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 the indicators set forth below in sub-paragraph (b) of this paragraph. 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.

   (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

   (i) by Closing Date, wheat and other crops production has increased by 15% (kg/ha) in the areas improved/rehabilitated under the Project;

   (ii) by Closing Date, water productivity increased by 15% (kg/m³) for wheat and other crops, in the areas improved/rehabilitated under the Project;
(iii) by Closing Date, the irrigated surface in the Project Areas has increased by 10% (ha).

2. Notwithstanding the provisions of paragraph (1) above, the Recipient shall:

(a) prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank, by no later than October 31, 2012, a mid-term review report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (1) above, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(b) review with the World Bank, by November 30, 2012, or such later date as the World Bank shall request, the mid-term review report referred in sub-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, base on the conclusions and recommendations of said report and the World Bank’s views on the matter.

3. 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. In order to assist the Recipient in preparing the Completion Report, the Recipient may employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank, in accordance with the provisions of Section III of this Schedule.

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 (6) months after the end of such period.

Section III. Procurement
A. General

1. Procurement and Consultant Guidelines. All goods, works and 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:

(a) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Procurement Guidelines") in the case of goods and works, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 ("Consultant Guidelines") in the case of consultants’ services; and

(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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

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

2. Other Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which the Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Procurement from United Nations Office for Project Services.

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 the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (a) Quality-based Selection; (b) Selection based on Consultants' Qualifications; (c) Least Costs Selection; (d) Selection under a Fixed Budget; (e) Single-source Selection; and (f) Selection of Individual Consultants.

D. **Review by the World Bank of Procurement Decisions**

Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: (a) all contracts for goods and works procured under International Competitive Bidding or Direct Contracting; (b) each contract for goods estimated to cost the equivalent of US$200,000 or more procured on the basis of National Competitive Bidding; (c) each contract for works estimated to cost the equivalent of US$300,000 or more procured on the basis of National Competitive Bidding; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of US$100,000 or more; (e) each contract for consultants' services provided by a firm to be awarded under a Single-source Selection; and (f) each contract for consultants' services provided an individual consultants, estimated to cost US$50,000 or more. 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 and consultants’ services for the Project (except for Parts A.2 and A.3); Training and Incremental</td>
<td>21,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

16
### Operating Costs under the Project

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works and consultants' services for Part A.2 and A.3 of the Project.</td>
<td>20,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>41,000,000</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:

   (a) for Eligible Expenditures under Categories (1) and (2) until MAIL has selected and hired a qualified and experienced internal auditor, contract management officer and financial monitoring officer, acceptable to the World Bank, and under terms of reference satisfactory to the World Bank; and

   (b) for Eligible Expenditures under Category (2) until MAIL has prepared and adopted the Fields Operations Manual, in a manner and substance satisfactory to the World Bank.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.
ANNEX TO SCHEDULE 2

Additional Provisions for National Competitive Bidding

National Competitive Bidding shall be carried out in accordance with the Recipient’s Procurement Law published in Official Gazette No. 865 of October 25, 2005, as amended on January 19, 2009, and the following additional procedures:

(i) Standard bidding documents approved by the World Bank will be used.

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

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

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

(v) Foreign bidders will not be precluded from bidding.

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

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

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

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

(x) Evaluation of bids will 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.

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

(xiii) Contracts will 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.

(xiv) Extension of bid validity will 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.

(xv) Negotiations will not be allowed with the lowest evaluated or any other bidders.

(xvi) Re-bidding will not be carried out without the World Bank’s prior concurrence.

(xvii) All contractors or suppliers will provide performance security as indicated in the contract documents. A contractor’s or a supplier’s performance security will apply to a specific contract under which it was furnished.
APPENDIX
Definitions and Modifications to the Anti-Corruption Guidelines

Section I. Definitions

1. "Annual Implementation Plan" means the time-bound action plan of activities to be prepared pursuant to Section I.E of Schedule 2 to this Agreement.

2. "ARTF-MC" means the Management Committee of the Afghanistan Reconstruction Trust Fund.

3. "CDCs" means the community development councils established under Recipient’s National Solidarity Program co-financed by the Afghanistan Reconstruction Trust Fund (TF090205-AF) and the International Development Association (IDA H603-AF); which committees are responsible for preparing and implementing community development plans in the Project Areas.

4. "Displaced Persons" means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts cause by: (a) the involuntary taking of land, resulting in: (i) relocation of loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources 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 or such persons.

5. "Donors" means, collectively, all the bilateral and/or multilateral donors that have contributed funds to the Afghanistan Reconstruction Trust Fund at any given point in time.


7. "Environmental and Social Management Framework” and the acronym “ESMF” means the Recipients’ environmental and social management plan adopted by MAIL on November 11, 2010, setting out the screening procedures for Project activities (and in particular the civil works to be carried out under Part A.2 and A.3 of the Project), as well as the mitigation measures, including monitoring, communication and documentation protocols, in order to address any adverse environmental and social impacts that might originate in relation to the Project.

8. "Environmental and Social Management Plan” and the acronym “ESMP” means the plan containing environmental and social mitigation measures in respect of any Project intervention under Parts A.2 and A.3 to be prepared by the Recipient prior to carrying out any such activities pursuant to the ESMF, in accordance with Section I.F.2 of the Schedule to this Agreement.
9. “Fields Operations Manual” means the manual to be prepared, adopted and implemented by the Recipient for purposes of Part A.2 and A.3 of the Project, setting forth the technical guidelines agreed with the World Bank for the implementation, supervision, and monitoring and evaluation of Project activities in the field, as well as training activities, including, *inter alia*: (i) procedures to be followed in the social mobilization activities and formation of IAs; (ii) engineering guidelines for implementation of physical infrastructure works; (iii) engineering and agronomic guidelines for establishing and running of irrigation demonstration sites; and (iv) design and execution of training courses and procedures for field visits.

10. “Financial Management Manual” means the manual prepared by MAIL and adopted on March 2, 2011, setting forth detailed guidelines on, *inter alia*: (i) segregation of financial management duties; (ii) internal control protocols and quality assurance methods; (iii) accounting and record keeping procedures; (iv) fund flow arrangements; (v) withdrawal application procedures; (vi) asset management; and (vii) reporting and auditing arrangements.

11. “Fiscal Year” means the Recipient’s fiscal year commencing on March 21 of each calendar year and ending on March 20 of the next following calendar year.

12. “Incremental Operating Costs” means the reasonable costs incurred by the PIU for purposes of Project implementation including: operation and maintenance and/or rental of office equipment and vehicles, office rentals, office supplies, utility fees, travel and boarding/lodging allowances, per diem, bank charges, advertising and communications costs (including Internet fees), media projects, newspaper subscriptions, periodicals, insurance premiums, printing and stationary costs, and salaries of contractual staff (but excluding salaries of civil servants), which cost would not have been incurred absent the Project.

13. “Irrigation Associations” and the acronym “IAs” mean the associations of [farmers] established or to be established at the level of a watercourse or water storage tank in the Project Areas and registered under the Water Law (1388).

14. “MAIL” means the Recipient’s Ministry of Agriculture, Irrigation and Livestock, and/or any successor thereto.

15. “Pest Management Plan” and the acronym “PMP” means the section of the ESMF setting forth the pest management tools and techniques, and guidelines regarding handling of pesticides, to be followed by MAIL and the Project beneficiaries in/during the implementation of the Project.

16. “Project Area Teams” means the team of specialist to be set up in each of the Project Areas pursuant to Section I.A.(b) of Schedule 2 to this Agreement.

17. “Project Areas” means the Recipient’s provinces of Balkh (Mazar-i-Sharif) Bamyan, Herat, Kabul and Nangarhar (Jalalabad), and/or any other provinces that the Recipient may include from time to time with the prior concurrence of the World Bank; and “Project Area” means individually any of the Project Areas.

18. “Project Implementation Plan” means the manual prepared and adopted by MAIL on November 13, 2010, setting forth the main activities agreed with the World
Bank, for implementation, supervision and monitoring and evaluation of the Project, including, inter alia: (i) allocation of responsibilities and reporting/supervision lines, and limits of authority to Project staff and the agencies involved; (ii) planning and budgeting procedures for Project activities; (iii) reporting requirements; and (iv) monitoring and evaluation procedures.

19. “Project Implementation Unit” and the acronym “PIU” means the MAIL’s implementation unit established on May 3, 2010, under the Afghanistan Reconstruction Trust Fund Grant for the Preparation of the On-Farm Water Management Project (ARTF Grant No. TF096991), and referred to in Section I.A.(a) of Schedule 2 to this Agreement.

20. “Resettlement Action Plan” and the acronym “RAP” mean the plan setting forth the procedural guidelines, principles and standards for compensation and resettlement of Displaced Persons originating from the Project activities, and to be prepared by the Recipient prior to carrying out any such activities, in accordance with Section I.F.2 of the Schedule to this Agreement.

21. “Training” means the reasonable costs of training, workshops and conferences and field visits conducted in the territory of the Recipient or, subject to the prior no-object of the World Bank, attended overseas by MAIL’s staff, including the purchase and publication of materials, rental of facilities, course fees and travel and subsistence allowances for trainers and/or trainees.


Section II. Modifications to the Anti-Corruption Guidelines

1. Section 5 of the Anti-Corruption Guidelines is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) of the Anti-Corruption Guidelines is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time; (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or
any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (in 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”