Amended and Restated Afghanistan Reconstruction Trust Fund Grant Agreement

(Power System Development Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

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

Dated March 19, 2009
Amended and Restated on February 01, 2011
ARTF GRANT NUMBER TF093513-AF

AMENDED AND RESTATED ARTF GRANT AGREEMENT

AGREEMENT originally dated March 19, 2009 ("Original Grant Agreement") amended and restated on February 01, 2011, entered into between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator (the "Administrator") of grant funds (the "Grant Funds") contributed by various donors (collectively the "Donors") to the Afghanistan Reconstruction Trust Fund ("ARTF").

The Recipient and the Administrator 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.

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 the Ministry of Energy and Water 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 Administrator 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 Administrator 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 thirty five million United States Dollars (the "Original Grant"); and
(b) a grant in an amount equivalent to twenty five million United States Dollars ($25,000,000) (the "Additional Grant");

(the Original Grant and the Additional Grant, collectively, the "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 Administrator 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
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the 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:
93-20-210-3258

4.03. The Administrator’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 Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By/s/ Omar Zakhilwal

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

By/s/ Anthony Cholst
SCHEDULE 1

Project Description

The objective of the Project is to support the Recipient in increasing: (i) access to grid power; and (ii) the quantity of available power, for the consumers in the target urban centers of Pul-e-Khumari, Charikar, Gulbahar and Jabul-es-Saraj.

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) 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 operation and maintenance of the distribution/transmission system;

(iii) carrying out baseline studies and communication with stakeholders; and

(iv) provision of Project management and implementation support for investments under the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Overall Project Implementation and Coordination

1. The Recipient shall vest responsibility for the overall implementation of the Project in MEW and ensure that the Project will be implemented in accordance with the streamlined procedures established under the MOU.

2. For purposes of managing and implementing the Project, MEW shall, throughout the period of implementation of the Project, maintain PMF. To this end, PMF shall be responsible, inter alia, for: (i) financial management and audit requirements in coordination with the Ministry of Finance and the Auditor General’s Office, including preparing financial reports; (ii) carrying out the procurement process, including preparing bid documents and bid evaluation reports, preparing and negotiating contracts and other related procurement activities; (iii) carrying out disbursement functions including preparing and processing invoices for payment from the Designated Account; (iv) carrying out reporting, monitoring and evaluation activities; and (v) environmental and social safeguards management (including mine risk management).

3. The Recipient shall, throughout the period of implementation of the Project, ensure that adequate staff levels are maintained in PMF as are required to carry out its functions under the Project.

4. The Recipient shall ensure that relevant documentation such as bank statements, automated financial management information system (AFMIS) reports and any other information required by PMF to prepare financial reports are made available to PMF upon request.

5. The Recipient shall cause DABM, and after it is fully operational, DABS, to assist MEW in the design, implementation and supervision of the technical aspects of the Project, and to coordinate with PMF on Project implementation in the various Project areas. DABS will also be responsible for nominating members of its staff to operate and maintain the investments developed/rehabilitated under the Project after completion in various areas, and to receive operations and management training support.

6. For purposes of assisting in the transition of DABM into DABS, MEW shall maintain DABS TMU with staffing, terms of reference and resources acceptable to the Association. DABS TMU shall be responsible for carrying out the preparatory work for the operationalization of DABS including transfer of assets
and liabilities, human resource management and recruitment of new staff. DABS TMU shall continue to operate until December 2011.

7. The Recipient shall maintain the Supervisory Board with staffing, terms of reference and resources satisfactory to the Association, to be responsible for among other things, establishing general rules and responsibilities as well as for appointing and supervising the management of DABS.

B. Safeguards

1. The Recipient shall carry out the Project in accordance with the Environment and Social Safeguards Management Framework (ESSMF).

2. The Recipient shall undertake social assessment prior to the commencement of any activities under Part A of the Project. In case of land acquisition, the Recipient shall, prior to implementation of Part A of the Project, in a consultative and mutually agreeable manner, prepare and adopt a Social Impact Mitigation Plan for restoring housing and compensating for loss of land and livelihood of Project affected families, acceptable to the Administrator, and thereafter carry out the Project in accordance with the Social Impact Mitigation Plan. Compensation shall be issued before actual acquisition can take place.

3. The Recipient shall not amend or waive any provision of the ESSMF and the Social Impact Mitigation Plan if, in the opinion of the Administrator, such amendment or waiver may materially and adversely affect the implementation of the Project.

4. The Recipient shall ensure that sample testing for checking the presence of any Poly-Chlorinated Biphenyls is carried out before any work is started on the rehabilitation of the existing power distribution transformers. In case any presence beyond the permissible limit is detected, the handling and disposal shall be done as per the ESSMF, and, in consultation with the Administrator.

5. The Recipient shall ensure that the Project will be implemented in accordance with the Mine Risk Management Procedures, and in coordination with the Mine Action Center for Afghanistan.

C. 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 I of the Appendix to this Agreement.
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 (1) calendar quarter, and shall be furnished to the Administrator 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) increase in power supply in Pul-e-Khumri, Charikar, Gulbahar and Jabul-es-Saraj (in MWh);

(ii) increase in electricity access in Pul-e-Khumri, Charikar, Gulbahar and Jabul-es-Saraj (% of households); and

(iii) initiation of the energy efficiency promotion activities in Afghanistan.

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 Administrator not later than six (6) 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 Administrator not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the Administrator.

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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Administrator 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 Association 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 specified in the Procurement Plan.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding*</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
*National Competitive Bidding* shall be carried out in accordance with the Recipient’s Procurement Law of July 2008 and amended in January 2009 and issued as a new Law by the Ministry of Justice and was published in the Official Gazette Number 957, 29.10.1387 (18 January 2009) and the following additional procedures:

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

(ii) 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.

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

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

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

(vi) 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.

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

(viii) 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.

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

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

(xii) 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
Administrator.

(xiii) 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.

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

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

(xvi) Re-bidding shall not be carried out without the Administrator’s prior
concurrency.

(xvii) 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.
D. Review by the Administrator of Procurement Decisions

Except as the Administrator shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Administrator: (a) each contract for goods or works procured on the basis of International Competitive Bidding; (b) each contract for works estimated to cost the equivalent of $500,000 or more; (c) each contract for goods estimated to cost the equivalent of $200,000 or more; (d) each contract for goods or works procured on the basis of Direct Contracting regardless of value; (e) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; (f) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $50,000 or more; and (g) each contract for consultants’ services procured on the basis of Single-Source Selection regardless of value. All other contracts shall be subject to Post Review by the Administrator.

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 Administrator 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 Administrator 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 tables 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>60,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>60,000,000</td>
<td></td>
</tr>
</tbody>
</table>

*For the purposes of this paragraph, the term “Incremental Operating Costs” means 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 supplies and charges, advertisement expenses, 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.

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 an aggregate amount not to exceed $15,000,000 equivalent may be made for payments made prior to this date but on or after November 1, 2008, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is July 31, 2013.
APPENDIX

Section I. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 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 fi

2. Section 11(a) 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) (fn14) 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 (fn13) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another fi

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 set 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.”

Section II. Definitions

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

2. “DABM” means the Da Afghanistan Breshna Moasses, Afghanistan’s electricity utility.

3. “DABS” means the 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, to gradually replace DABM as Afghanistan’s electricity utility.

4. “DABS TMU” means the Transitional Management Unit of DABS established and operating within MEW since March 1, 2007, referred to in paragraph 6 of Section I.A of Schedule 2 to this Agreement.”

5. “Environment and Social Safeguards Management Framework” or “ESSMF” means the Recipient’s Environment and Social Safeguards Management Framework dated April 28, 2004, as revised in a manner acceptable to the Administrator, which sets out, inter alia: (i) key principles for social and environmental management of Projects; (ii) procedures to screen and process Projects for significant social and environmental impacts (including resettlement, land acquisition and cultural resources), and to assist in mitigating impacts; (iii) procedures to ensure that these principles and procedures are properly applied; and (iv) guidelines for capacity building and monitoring.

6. “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;
7. "MoF" means the Recipient’s Ministry of Finance or any successor thereto.

8. "MEW" means the Recipients Ministry of Energy and Water, or any successor thereto.

9. "Memorandum of Understanding" means the Memorandum of Understanding dated August 10, 2006, as amended to date entered into between MOF and MEW regarding the implementation of the Project.

10. "Part" means a Part of the Project as described in Schedule 1 to this Agreement.

11. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated November 8, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

12. "PMF" means the Project Management Firm that has been contracted by MEW in accordance with the provisions of paragraph 2 of Section I.A of Schedule 2 to this Agreement.

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

14. "Supervisory Board" means the board referred to in paragraph 7 of Section I.A of Schedule 2 established and operating within DABS.