Afghanistan Reconstruction Trust Fund
Grant Agreement

(Naghu Hydropower Rehabilitation Project-Phase I)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

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

Dated January 19, 2016
AGREEMENT dated January 7, 2016, entered into between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as 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 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 objectives of the Project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

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 eighty three million United States Dollars ($83,000,000) ("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 ARTF for which the World Bank receives periodic contributions from the Donors to ARTF. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under ARTF, and the Recipient's right to withdraw the Grant proceeds is 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 its Minister of Finance.

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

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:
+93202103258

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

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

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

ISLAMIC REPUBLIC OF AFGHANISTAN

By

[Signature]

Authorized Representative

Name: [Signature]

Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

(acting as administrator of the Afghanistan Reconstruction Trust Fund)

By

[Signature]

Authorized Representative

Name: Robert J. Saum

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve dam safety and sustainability of hydropower, and to increase the supply of domestically generated hydropower at the Naglu Hydropower Plant.

The Project consists of the following parts:

Part 1: Mechanical, Electrical, and Electromechanical Works

Carrying out investments aimed at rehabilitating the mechanical, electrical and electromechanical parts of the Naglu Hydropower Plant, including: (a) rehabilitation of Unit I and the associated supporting and/or auxiliary components (balance of plant); and (b) enhancing maintenance of other units of the powerhouse, including provision of spare parts, operations and maintenance equipment and construction of related warehouses.

Part 2: Dam Safety and Power Generation Improvement

Provision of technical and operational assistance and training designed to:

(a) improve the safety of the operation of the Naglu Hydropower Plant dam, including:

(i) carrying out of an audit of the dam’s structural and operational safety;

(ii) preparation of plans and bidding documents for works to improve safety standards to acceptable levels, focused on reactivating the bottom outlet, adequacy of auxiliary power and other systems, improvement to head gates closing systems, installation of instrumentation and clearance of any unexploded ordnance from the dam structure;

(iii) carrying out of studies on structural and operational safety considering updated hydrological and seismic data and following relevant international/national standards/guidelines;

(iv) exploring flood routing including adequacy of its spilling arrangements; and

(v) undertaking works to improve dam safety to acceptable standards, including implementation of dam safety plans; and
(b) examine the potential for increasing power generation, including, identifying options for sustainable sediment management and for increasing the amount of electricity produced by the dam.

Part 3: Environmental and Social Sustainability, Project Management Support, and Future Project Preparation

(a) supporting the environmental and social sustainability of the Naghlu Hydropower Plant dam, including: (i) the provision of local electrification and development assistance to improve the livelihoods of communities surrounding the dam; and (ii) supporting environmental and social management, including, monitoring the implementation of the Safeguard Instruments; and

(b) supporting: (i) the Project Implementing Entity to carry out its management implementation obligations under the Project; (ii) the work of the Environmental and Social Advisory Panel and the Project Technical Advisory Panel; and (iii) the identification of potential future projects for hydropower development by the Project Implementing Entity.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

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

B. Anti-Corruption

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

C. Safeguards

The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Safeguards Instruments, and to refrain from amending, suspending, waiving, abrogating, and/or voiding any provision of the Safeguards Instruments, in whole or in part, without the prior written agreement of the World Bank.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

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

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and
(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor(s).

B. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and cause the Project Implementing Entity to 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 (1) 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, or shall cause the Project Implementing Entity to, prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

C. Financial Management; Financial Reports; Audits

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

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

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

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

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

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

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

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

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to additional provisions agreed upon from time to time between the Recipient and the World Bank and set forth in the Procurement Plan; (c) Shopping; (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the World Bank.

C. Particular Methods of Procurement of Consultants' Services

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

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

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

E. **Document Retention**

Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven (7) years and six (6) months after the Closing Date set forth in Section IV.B.2 of this Schedule; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor(s).

Section IV. **Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-Consulting Services, Consultants' Services, Training and Incremental Operating Costs for the Project</td>
<td>83,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>83,000,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $5,000,000 equivalent may be made for payments made prior to this date but on or after December 1, 2015, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is September 30, 2022.
APPENDIX

Definitions


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

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

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

5. "Environmental and Social Management Framework" or "ESMF" means the Recipient's framework adopted by DABS and disclosed on February 19, 2014, acceptable to the World Bank, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental and Social Management Plans as may be required for Project activities, and which includes the Resettlement Policy Framework, as said framework may be modified from time to time with the prior written agreement of the World Bank.

6. "Environmental and Social Management Plan" or "ESMP" means, individually, each of DABS' environmental and social management plan, as may be required to be prepared in accordance with the Environmental and Social Management Framework and Section I.D.3 of the Schedule to the Project Agreement, acceptable to the World Bank, which sets out the mitigation, enhancement, monitoring and institutional measures, including capacity building through training; in each case as required to: (a) eliminate adverse environmental impacts of activities to be implemented under the Project; (b) offset them, or reduce them to acceptable levels; (c) enhance any positive impacts thereof; and (d) ensure compliance with the Recipient's statutory environmental requirements, as such plan may be revised,
updated or supplemented from time to time with the prior written agreement of the World Bank; and “Environmental and Social Management Plans” means, collectively, all such plans.

7. “Environmental and Social Advisory Panel” means the panel referred to in Section 7(a)(ii) of the Schedule to the Project Agreement.

8. “Financial Management Manual” means DABS’ financial management manual dated December 1, 2015, which manual provides for the financial management obligations under the Project, as such manual may be amended from time to time by agreement between the Recipient and the World Bank.

9. “Incremental Operating Costs” means the reasonable costs incurred by the Recipient for implementation and management of the Project on the account of operations and maintenance of equipment and vehicles, hiring of vehicles, office rent, costs of consumables, fuel, office utilities and supplies including IT support to PIT, bank charges, advertising expenses, salaries and salary supplements (including travel allowances) of local contractual and temporary staff (other than consultants procured under the Project), but excluding salaries, allowances, bonuses or honoraria of members of the Recipient’s civil service.

10. “Naghlu Hydropower Plant” means the existing hydropower plant of such name on the confluence of the Panjshir and Kabul Rivers in the Surobi District, Kabul Province of the Recipient’s territory, originally commissioned in 1967 and including an existing dam, reservoir, powerhouse and appurtenant mechanical, electrical and other structures.

11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 3, 2014 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.

12. “Project Implementing Entity” means DABS, or any successor thereto, acceptable to the World Bank.

13. “Project Implementation Team” or “PIT” mean the Project Implementation referred to in Section I.A.1 of the Schedule to the Project Agreement.

14. “Project Technical Advisory Panel” means the advisory panel referred to in Section 7(a)(i) of the Schedule to the Project Agreement.

15. “Resettlement Action Plan” or “RAP” means, individually each of DABS’ resettlement action plans, as may be required to be prepared in accordance with the Resettlement Policy Framework and Section I.D.2 of the Schedule 2 to the Project Agreement, acceptable to the World Bank; and in each case which sets out
the: (a) principles and procedures governing the acquisition of land required for the Project; (b) Displaced Persons as a result of Project activities; (c) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (d) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Project activities; and (e) principles and procedures for consultation, grievance redress, reporting and monitoring requirements, as said plan may be revised from time to time with the prior written agreement of the World Bank; and “Resettlement Action Plans” means, collectively, all such plans.

16. “Resettlement Policy Framework” or “RPF” means DABS’ resettlement policy framework for the Project adopted by DABS and disclosed on February 19, 2014 and incorporated in the ESMF, acceptable to the World Bank, which sets out the policies and procedures for addressing adverse temporary or permanent social impacts resulting, or likely to result, from the carrying out of the Project, including: (a) the principles, policies and procedures, organizational arrangements, and design criteria to be applied to sub-projects to be prepared during implementation of the Project; and (b) for the preparation of Resettlement Action Plans as may be required for Project activities, as said framework may be revised from time to time with the prior written agreement of the World Bank.

17. “Safeguards Instruments” means the Environmental and Social Management Framework, the Resettlement Policy Framework, the Resettlement Action Plan(s) and Environmental and Social Management Plan(s).

18. “Training” means the reasonable costs of training activities under the Project attributable to seminars, workshops, and domestic and overseas study trips, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

19. “Unit I” means the existing vertical Francis turbine of such name at the Naghlu Hydropower Plant.