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**ARTF GRANT NUMBER TF054718**

**Afghanistan Reconstruction Trust  
Fund Agreement**

**(Relating to the Emergency Power Rehabilitation Project)**

**between**

**ISLAMIC REPUBLIC OF AFGHANISTAN**

**and**

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

**Dated February 13, 2005**

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**ARTF GRANT NUMBER TF054718**

**ARTF GRANT AGREEMENT**

AGREEMENT, date February 13, 2005, between ISLAMIC REPUBLIC OF AFGHANISTAN (the 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").

WHEREAS (A) the Donors have agreed to provide the Grant Funds to the Recipient in support of its reconstruction program;

(B) the Donors have requested the Administrator, and the Administrator has agreed, to administer the Grant Funds;

(C) the Administrator has established ARTF for purposes of receiving and administering the Grant Funds;

(D) the Grant Funds shall finance, among other things, such investment and/or sector programs and activities as shall from time to time be recommended by the Recipient and approved by the Management Committee of ARTF;

(E) the Recipient has entered into a Development Credit Agreement with the International Development Association (the Association) dated July 13, 2004 (the Development Credit Agreement) for the financing of the Emergency Power Rehabilitation Project (Credit No. 3933-AF) on the terms and conditions set forth in the Development Credit Agreement, and the Recipient has declared its commitment to the objectives of the Emergency Power Rehabilitation Project and has agreed to carry out the Emergency Power Rehabilitation Project in accordance with the terms of the Development Credit Agreement;

(F) the Recipient having satisfied itself as to the feasibility and priority of the project (described in Schedule 2 to the Development Credit Agreement) (the Project), has requested the Administrator to assist the Recipient in financing part of the costs of carrying out the Project, and the Administrator has agreed to provide financing in accordance with the terms and conditions set forth in the Development Credit Agreement and in this Agreement (such financing, the "ARTF Grant");

NOW, THEREFORE, the parties hereto, hereby, agree as follows

## ARTICLE I

### General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions), constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Article II;
  - (iii) Section 3.01;
  - (iv) Sections 4.01, 4.04, 4.05 and 4.06 (a);
  - (v) Article V;
  - (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
  - (vii) Article VIII;
  - (viii) Article IX;
  - (ix) Article X;
  - (x) Article XI; and
  - (xi) Article XII.
- (b) The General Conditions shall be modified as follows:
- (i) Section 5.08 is amended to read as follows:

*“Section 5.08. Treatment of Taxes*

Except as otherwise provided in this Agreement, the proceeds of the ARTF Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the ARTF Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is

subject to the Administrator's policy of requiring economy and efficiency in the use of the proceeds of the ARTF Grant. To that end, if the Administrator shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the ARTF Grant is excessive or otherwise unreasonable, the Administrator may, by notice to the Recipient, adjust the percentage for withdrawal set forth or referred to in respect of such item in the ARTF Agreement as required to be consistent with such policy of the Administrator."

- (ii) Section 6.03 (c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".
- (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
- (iv) the term "Credit" or "credit", wherever used in the General Conditions, means the ARTF Grant;
- (v) the term "Credit Account", wherever used in the General conditions, means the ARTF Grant Account; and
- (vi) the term "Development Credit Agreement", wherever used in the General Conditions, means this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "ARTF Grant Account" means the account maintained by the Administrator in which the ARTF Grant is deposited;

(b) "Procurement Plan" means the Recipient's procurement plan, dated December 8, 2004, covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation; and

(c) "Special Account" means the account to be opened by the Recipient pursuant to Section 2.02(b) of this Agreement.



## **ARTICLE II**

### **The ARTF Grant**

Section 2.01. (a) The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty million United States Dollars (US\$20,000,000).

(b) Additional Grant Funds may be added to the ARTF Grant as Donor contributions to ARTF are made from time to time. The Administrator shall promptly notify the Recipient of such contributions and any ensuing increase in the amount of the ARTF Grant, and shall take all necessary action required on its part to modify this Agreement in order to reflect the increase in available ARTF Grant funds.

(c) The Administrator shall periodically allocate additional ARTF Grant funds that may be added to the ARTF Grant in accordance with Section 2.01(b), above, to the Category in Schedule 1.

Section 2.02. (a) The amount of the ARTF Grant may be withdrawn from the ARTF Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the ARTF Grant.

(b) The Recipient may, for the purposes of the ARTF Grant, open and maintain in United States Dollars a special deposit account with its central bank, on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be January 31, 2009, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 2.04. Disbursement from the proceeds of the ARTF Grant (including deposits into the Special Account) shall be made only to the extent that, in the opinion of the Administrator, adequate resources to meet such disbursement have been transferred from the Donors to ARTF.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. Except as the context may otherwise require, Article III and Article IV of, and Schedule 2 and Schedule 4 to, the Development Credit Agreement are hereby incorporated into this Agreement with the same force and effect as if they are fully set forth herein. For this purpose, all references in said Articles and Schedule to: (a) the "Administrator" shall be deemed to be references to the International Development Association as Administrator of the ARTF Grant; and (b) the "Special Account" shall be deemed to be references to the Special Account referred to in Section 2.02 (b) of this Agreement.

Section 3.02. (a) Except as the Administrator shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the ARTF Grant shall be governed by the provisions of Schedule 2 to this Agreement, as such provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Administrator, and furnish such update to the Administrator not later than twelve (12) months after the date of the preceding Procurement Plan, for the Administrator's approval.

### **ARTICLE IV**

#### **Effectiveness; Termination**

Section 4.01. This Agreement shall become effective upon signature thereof by the parties hereto and shall continue in effect until the ARTF Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations thereunder, whichever occurs first, provided, however, that if the Development Credit Agreement terminates prior to the termination of Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.

Section 4.02. The rights and obligations of the Recipient and the Administrator under this Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any State or political subdivision thereof to the contrary.

## **ARTICLE V**

### **Representative of the Recipient; Addresses**

Section 5.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance  
Kabul  
Islamic Republic of Afghanistan

For the Administrator:

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

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



IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Kabul, Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By /s/ Anwar-ul- Haq Ahadi

Authorized Representative

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

By /s/ Alastair McKechnie

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the ARTF Grant**

1. The table below sets forth the Category of items to be financed out of the proceeds of the ARTF Grant, the allocation of the amounts of the ARTF Grant to the Category and the percentage of expenditures for items so to be financed in the Category:

<u>Category</u>	<u>Amount of the ARTF Grant Allocated (Expressed in United States Dollars)</u>	<u>% of Expenditures to be Financed</u>
Goods, works, consultants' services, and other services under Part B of the Project	20,000,000	100%
 TOTAL	<u>20,000,000</u> =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

3. The Administrator may require withdrawals from the ARTF Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) goods, works and other services under contracts not exceeding \$250,000 equivalent each; (ii) consultants' services under contracts not exceeding \$100,000 equivalent for consulting firms; (iii) consultants' services under contracts not exceeding \$50,000 equivalent for individual consultants; and (iv) training, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

## **SCHEDULE 2**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Administrator of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

#### B. Other Procurement Procedures

1. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract and works estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

2. Direct Contracting. Goods and works which the Administrator agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

3. Force Account. Works which meet the requirements for Force Account referred to in paragraph 3.1 and 3.8 of the Procurement Guidelines may, with the Administrator's prior agreement, be carried out in accordance with the provisions of said paragraph.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection.

Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Administrator's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. 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, works and services (other than consultants' services) estimated to cost the equivalent of \$250,000 or more; (b) the record of justification referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines for each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more shall be subject to Prior Review by the Administrator; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. All other contracts shall be subject to Post Review by the Administrator.

### **SCHEDULE 3**

#### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Category” means the Category set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the ARTF Grant allocated from time to time to the eligible Category in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to \$2,000,000 to be withdrawn from the ARTF Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Administrator has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the ARTF Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Recipient, withdraw from the ARTF Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.
    - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Recipient, withdraw from the ARTF Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown

by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the ARTF Grant Account under the eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the ARTF Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b)(ii) of the Development Credit Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the ARTF Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the ARTF Grant allocated to the eligible Category, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the ARTF Grant Account of the remaining unwithdrawn amount of the ARTF Grant allocated to the eligible Category shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence

furnished to the Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Recipient may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the ARTF Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.