

CONFORMED COPY

GRANT NUMBER H284 -AF
(Amendment)

Agreement Amending Development Credit Agreement

(Emergency Irrigation Rehabilitation Project – Additional Financing)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 30, 2007

GRANT NUMBER H284 - AF

(Amendment)

AGREEMENT AMENDING DEVELOPMENT CREDIT AGREEMENT

AGREEMENT AMENDING DEVELOPMENT CREDIT AGREEMENT dated May 30, 2007, between ISLAMIC REPUBLIC OF AFGHANISTAN (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS (A) under an agreement dated January 20, 2004, between the Borrower and the Association as amended to-date (the "Development Credit Agreement"), the Association agreed to provide the Borrower with a credit an amount in various currencies equivalent to twenty seven million nine hundred thousand Special Drawing Rights (SDR 27,900,000) to assist in financing the Emergency Irrigation rehabilitation Project described in Schedule 2 to the Development Credit Agreement (the "Project");

(B) the Borrower has requested the Association to provide additional financial assistance in support of the Project by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to sixteen million eight hundred thousand Special Drawing Rights (SDR 16,800,000); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing to extend such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Credit Agreement

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth in Attachment 2 to this Agreement (the "General Conditions"), constitute an integral part of this Agreement.

Section 1.02. The several terms defined in the Development Credit Agreement, the General Conditions and in the Preamble to this Amending Agreement have the respective meanings therein set forth.

Section 1.03. Section 1.02 of the Development Credit Agreement is amended by adding new Subsections (q) and (r) which shall read as follows:

“(q) “Amending Agreement” means this Agreement Amending the Development Credit Agreement (Emergency Irrigation rehabilitation Project) between the Borrower and the Association; and

(r) “Additional Financing” means an additional amount provided as a grant, in various currencies equivalent to sixteen million eight hundred thousand Special Drawing Rights (SDR 16,800,000) (the “Grant”) provided to the Borrower on the terms and conditions set forth or referred to in this Amending Agreement.”

Section 1.04. Section 2.01 of the Development Credit Agreement is amended to read as follows:

“Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement:

(a) an amount in various currencies equivalent to twenty seven million nine hundred thousand Special Drawing Rights (SDR 27,900,000) (the “Credit”); and

(b) an amount in various currencies equivalent to sixteen million eight hundred thousand Special Drawing Rights (SDR 16,800,000) (the “Grant”).”

Section 1.05. Section 2.02(a) of the Development Credit Agreement is amended to read as follows:

“Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account and the amount of the Grant may be withdrawn from the Grant Account, in accordance with the provisions of Schedule 1 to this Agreement, for expenditures made (or, if the Association 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 Financing.”

Section 1.06. Section 2.03 of the Development Credit Agreement is amended to read as follows:

“Section 2.03. The Closing Date shall be September 30, 2008 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.”

Section 1.07. A proviso is added at the end of Section 2.04(b)(i) of the Development Credit Agreement reading as follows:

“; provided however that the commitment charge on the Grant shall accrue from a date sixty (60) days after the date of the signing of the Amending Agreement.”

Section 1.08. The table in paragraph 1 of Schedule 1 to the Development Credit Agreement (Withdrawal of the Proceeds of the Credit), is amended to read as set forth in Schedule 1 to this Amending Agreement.

Section 1.09. A new Part D is added to Schedule 2 to the Development Credit Agreement (Description of the Project) to read as follows:

“Part D: Rehabilitation of Hydro-meteorological Network

1. Rehabilitation of the hydro-meteorological network in the Borrower’s territory, including the installation of new equipment and the rehabilitation of the existing facilities for hydrologic measurement stations, meteorological stations, as well as snow measurement stations.
2. Provision of technical assistance and training to build capacity in data acquisition from the rehabilitated hydro-meteorological network, data communication, data storage and analysis for use in various applications in water resources management.”

*In this respect it should be noted that the Parts of the Project as described in Schedule 2 to the Development Credit Agreement were re-lettered in the amendment agreement dated November 19, 2006.

Section 1.10. Except as expressly set forth in this Amending Agreement, all provisions of the Development Credit Agreement shall remain in full force and effect.

ARTICLE II

Effective Date; Termination

Section 2.01. The Amending Agreement shall not become effective until a legal opinion satisfactory to the Association, showing that the Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Borrower and is legally binding upon the Borrower in accordance with its terms, has been received by the Association.

Section 2.02. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.03. The date ninety (90) days after the date of this Amending Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

ARTICLE III

Representatives of the Borrower; Addresses

Section 3.01. The Borrower's Minister of Finance, or an official authorized for this purpose by the Minister of Finance, is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 3.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Islamic Republic of Afghanistan
Kabul
Afghanistan

For the Association:

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 Amending Agreement to be signed in their

respective names in Kabul, Islamic Republic Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

/s/ Anwar-ul Haq Ahady
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Mariam J. Sherman
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit and the Grant

The table below sets forth the Category of items to be financed out of the proceeds of the Credit and the Grant, the allocation of the amount of the Credit and the Grant to such Category and the percentage of expenditures for items so to be financed in such Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works:			100%
(a) Part A.1 of the Project	7,500,000	8,400,000	
(b) Part A.2 of the Project	4,800,000	4,700,000	
(c) Part C.1 (b) of the Project	700,000		
(d) Part C of the Project prior to the amendment dated November 19, 2006	70,000		
(2) Goods			100%
(a) Hydro-meteo- rological Equipment	140,000	2,700,000	
(b) Survey equipment, construction quality control equipment, office equipment and vehicles	1,600,000		

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(3) Consultants services and training including auditing services for Parts A, B and C of the Project	11,000,000		100%
(4) Incremental Operating Costs	350,000		100%
(5) Unallocated	<u>1,740,000</u>	<u>1,000,000</u>	
TOTAL	<u>27,900,000</u>	<u>16,800,000</u>	

Modifications to the General Conditions

For the purpose of this Amending Agreement, the provisions of the General Conditions are modified as follows:

1. Section 2.01 is modified to read as follows:
 - (a) Paragraph 3 of Section 2.01 is modified to read as follows:
 - “3. “Borrower” means the party to the Development Credit Agreement to which the Financing is made.”
 - (b) The following new paragraphs are added after paragraph 11 of Section 2.01, and paragraphs 12 through 14 are renumbered as paragraphs 16 through 18 accordingly:
 - “12. “Grant” means the development grant provided for in the Development Credit Agreement.”
 - “13. “Grant Account” means the account opened by the Association on its books in the name of the Borrower to which the amount of the Grant is credited.”
 - “14. “Financing” means, collectively, the Credit and the Grant.”
 - “15. “Financing Accounts” means, collectively, the Credit Account and the Grant Account (or, where the context so requires, either of the Credit Account or the Grant Account).”
2. The term “Credit”, wherever used in the following Articles and Sections of the General Conditions, is modified to read “Financing”: Sections 2.01(3), 2.01(12), 4.01, Article V, Article VI (excluding Section 6.05), Section 7.01(d), Article VIII, and Article IX.
3. The term “Credit Account”, wherever used in the following Articles and Sections of the General Conditions, is modified to read “Financing Accounts”: Section 2.01(6), the heading of Article III, 4.01, Article V, Article VI, and Section 12.03.
4. Article III is modified as follows:
 - (a) Section 3.01 is modified to read as follows:

“Section 3.01. *Financing Accounts*

The amount of the Credit shall be credited to the Credit Account and may be withdrawn from the Credit Account by the Borrower as provided in the Development Credit Agreement and in these General

Conditions. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account by the Borrower as provided in the Development Credit Agreement and in these General Conditions.”

- (b) The words “The principal of, and service charges on, the Credit” in Section 3.05 are modified to read “All amounts required to be paid under the Development Credit Agreement”.

5. Article IV is modified as follows:

- (a) Section 4.02(a) and the heading of Section 4.02 are modified to read as follows:

“Section 4.02. *Currencies in which Payments are to be Made*

(a) The Borrower shall pay all amounts required to be paid by it under the Development Credit Agreement in the currency specified in such agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”

- (b) Wherever used in Section 4.02(c) and (e) of the General Conditions, the words “principal and service charges” are modified to read “amounts”.

- (c) Section 4.06(b) is modified to read as follows:

“(b) All amounts which the Borrower shall be required to pay under the Development Credit Agreement shall be paid without restrictions of any kind imposed by, or in the territory of, the Borrower.”

6. Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Financing may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Financing, or on their importation, manufacture, procurement or supply. The financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association 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 Financing is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

7. Article VI is modified as follows:
 - (a) The word “credit” in paragraphs (a)(ii) and (c)(i) of Section 6.02 is replaced with the words “credit, grant or financing”.
 - (b) Section 6.03(c) is modified by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.
 - (c) Section 6.05 is modified to read as follows:

“Except as the Borrower and the Association shall otherwise agree, any cancellation of any amount of the Credit shall be applied *pro rata* to the several installments of the principal amount of the Credit maturing after the date of such cancellation.”
8. Section 7.01 is modified to read as follows:
 - (a) The words “principal or interest or any other amount” in paragraph (b) are modified to read “any amount”.
 - (b) The word “credit” in paragraph (b)(i) is replaced with the words “credit, grant or financing”.
9. Section 8.01(a) is modified to read as follows:

“(a) All amounts which the Borrower shall be required to pay under the Development Credit Agreement shall be paid without deduction for, and free from, any taxes levied by, or in the territory of, the Borrower.”

