
ARTF GRANT NUMBER TF054729

Afghanistan Reconstruction Trust Fund Agreement

(Urban Water Supply and Sanitation Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

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

Dated _____ **, 2005**



ARTF GRANT NUMBER TF054729

ARTF GRANT AGREEMENT

AGREEMENT, dated _____, 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 Administrator has received the Recipient’s National Urban Program, which sets out the program of actions, objectives and policies designed to achieve the Recipient’s water supply and sanitation short-term and medium-term objectives (hereinafter called the Program).

(F) the Recipient having satisfied itself as to the feasibility and priority of the project, which forms part of the short-term strategy of Recipient’s Program, described in Schedule 2 of this ARTF Grant Agreement (the Project), has requested the Administrator to assist the Recipient in financing part of the costs of carrying out the Project. The Administrator has agreed to provide financing in accordance with the terms and conditions set forth in this ARTF Grant Agreement (such financing, the “ARTF Grant”); and

(G) the Recipient intends to obtain additional funds in the amount of twenty one million United States Dollars (US\$21,000,000) from the ARTF Donors through the Management Committee of ARTF for the completion of the Project;

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 ARTF Grant Agreement:

- (i) Article I;
 - (ii) Article II;
 - (iii) Section 3.01;
 - (iv) Sections 4.01, 4.04, 4.05;
 - (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) Section 12.01(b).
- (b) The General Conditions shall be modified as follows:
- (i) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (ii) the term "Credit" or "credit", wherever used in the General Conditions, means the ARTF Grant;
 - (iii) the term "Credit Account", wherever used in the General conditions, means the ARTF Grant Account; and

- (iv) the term “Development Credit Agreement”, wherever used in the General Conditions, means this ARTF Grant Agreement.

Section 1.02. Wherever used in this ARTF Grant Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this ARTF Grant Agreement shall 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) “ARTF Grant Special Account” means the account to be opened by the Recipient pursuant to Section 2.02(b) of this ARTF Grant Agreement;

- (c) “CAWSS” means Recipient’s Central Authority for Water Supply and Sewerage referred to in paragraph A.2 of Schedule 4 to this ARTF Grant Agreement;

- (d) “Effective Date” means the date on which this ARTF Grant Agreement shall become effective in accordance with Section 6.01 of this ARTF Grant Agreement;

- (e) “Environment and Social Safeguards Framework” means the Recipient’s Environment and Social Safeguards Framework, furnished to the Administrator, which sets out, *inter alia*: (i) key policy principles for social and environmental management; (ii) measures to guide the screening of activities for significant social and environmental impacts, and to assist in the mitigation of such impacts; (iii) procedures to ensure that these principles and measures are appropriately applied; and (iv) guidelines for capacity building and monitoring, as the same may be amended from time to time with the agreement of the Recipient and the Administrator;

- (f) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this ARTF Grant Agreement;

- (g) “Kabul Municipality” means the Kabul Municipality established under the laws of the Recipient referred to in paragraph A.2 of Schedule 4 to this ARTF Grant Agreement;

- (h) “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 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;

- (i) “MOF” means the Ministry of Finance of the Recipient;

(j) “MUDH” means the Ministry of Urban Development and Housing;

(k) “Procurement Plan” means the Recipient’s procurement plan covering the initial twelve (12) 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 ARTF Grant Agreement, to cover succeeding twelve (12) month periods (or longer) of Project implementation;

(l) “Operations Manual” means the operations manual prepared for the functioning, implementation and monitoring arrangements of Part E of the Project;

(m) “Special Disbursement Unit” means the Special Disbursement Unit established by the Ministry of Finance of the Recipient maintained in accordance with paragraph 3 of Schedule 4 to this ARTF Grant Agreement;

(n) “Strategic Sanitation Plan” means an operational framework for the management and development of sanitation facilities (including network and onsite systems for solid waste, wastewater and drainage) that addresses institutional, financial technical, social and environmental health issues, referred to in Part D.3 of Schedule 2 to this ARTF Grant Agreement; and

(o) “Consultancy ToRs” means the Terms of References prepared by the Recipient for consultancies providing the necessary technical assistance services, to support the overall implementation, functioning, supervision of contracts, and monitoring of all parts of Project.

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 ARTF Grant 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 ARTF Grant Agreement in order to reflect the increase in available ARTF Grant funds.

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 ARTF Grant 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 in a bank, on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the ARTF Grant Special Account shall be made in accordance with the provisions of Schedule 5 to this ARTF Grant Agreement.

Section 2.03. The Minister of Finance, Islamic Republic of Afghanistan, or any person whom he or she shall designate in writing, is designated as representative of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this ARTF Grant Agreement and Article V of the General Conditions.

Section 2.04. The Closing Date shall be December 31, 2007 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date. Withdrawals may be made after the Closing Date for expenditures incurred prior to the Closing Date if the corresponding withdrawal application is received by the Administrator within four (4) months after the Closing Date, after which time any amount of the ARTF Grant remaining unwithdrawn from the ARTF Grant Account shall be canceled.

Section 2.05. Disbursement from the proceeds of the ARTF Grant (including deposits into the ARTF Grant Special Account) shall be made only to the extent that, adequate resources to meet such disbursement have been transferred from the Donors to the ARTF.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this ARTF Grant Agreement, and, to this end, shall carry out the Project through MUDH, with due diligence and efficiency and in conformity with appropriate urban water supply and sanitation, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this ARTF Grant Agreement, and with the environmental, social and other principles, measures, procedures and guidelines set out in the Environment and Social Safeguards Framework.

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 3 to this ARTF Grant 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.

Section 3.03. For the purposes of Section 9.06 (c) of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Administrator a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. Unless otherwise agreed by the Recipient and the Administrator, no expenditures for works required for the Project shall be eligible for financing out of the proceeds of the ARTF Grant, unless the Recipient shall have carried out an environmental assessment for the Project, and shall have undertaken processes and activities to mitigate any negative environmental impacts of such Project in accordance with the Environment and Social Safeguards Framework.

Section 3.05. Unless otherwise agreed by the Recipient and the Administrator, no expenditures for works involving land and asset acquisition, entitlements and compensation, required for the Project shall be eligible for financing out of the proceeds of the ARTF Grant, unless the Recipient shall have submitted evidence satisfactory to the Administrator that any land and asset acquisition, entitlements and compensation shall be carried out in accordance with the Environment and Social Safeguards Framework.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain, a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Administrator adequate to reflect the operations, resources and expenditures related to the Project.

- (b) The Recipient shall:
 - (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Administrator), audited, in accordance with consistently applied auditing standards acceptable to the Administrator, by independent auditors acceptable to the Administrator;
 - (ii) furnish to the Administrator, as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, in scope and detail satisfactory to the Administrator; and
 - (iii) furnish to the Administrator such other information concerning said records and accounts, and the audit thereof, as the Administrator shall from time to time reasonably request.

- (c) For all expenditures with respect to which withdrawals from the ARTF Grant Account were made on the basis of statements of expenditure, the Recipient shall:
 - (i) retain, until at least one (1) year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the ARTF Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (ii) enable the Administrator's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Administrator), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph (B) of Schedule 4 to this ARTF Grant Agreement, the Recipient shall prepare and furnish to the Administrator a Financial Monitoring Report, in form and substance satisfactory to the Administrator, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the ARTF Grant and explains

variances between the actual and planned Project implementation;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Administrator not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Administrator not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Administrator

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that additional funds from ARTF Donors shall have not been received; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Administrator that adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this ARTF Grant Agreement.

ARTICLE VI

Effectiveness; Termination

Section 6.01. This ARTF Grant 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 ARTF Grant Agreement have fulfilled all their obligations hereunder, whichever occurs first.

Section 6.02. Upon effectiveness of this ARTF Grant Agreement, the Administrator shall be allowed to disclose this ARTF Grant Agreement and information regarding the ARTF Grant in accordance with the Administrator's policy on disclosure of information.

Section 6.03. The rights and obligations of the Recipient and the Administrator under this ARTF Grant 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 VII

Representative of the Recipient; Addresses

Section 7.01. 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 7.02. 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 ARTF Grant Agreement to be signed in their respective names in Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

Authorized Representative

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

By

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 such 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 U.S. Dollars Equivalent)</u>	<u>% of Expenditures to be Financed</u>
Consultants' services, Training, Goods, Civil Works, and Operating Costs	20,000,000	100%
TOTAL	<u>20,000,000</u> =====	

2. For the purposes of this Schedule, the term "Operating Costs" means eligible operating and maintenance expenses associated with CAWSS operations, as per the provisions of the Operations Manual, and excluding arrears of salaries and operating and maintenance costs as of date.

3. 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 ARTF Grant Agreement.

4. The Administrator may require withdrawals from the ARTF Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) civil works under contracts costing less than \$300,000 equivalent; (ii) goods under contracts costing less than \$200,000 equivalent; (iii) services under contracts costing less than \$100,000 equivalent for consulting firms, and \$50,000 equivalent for individual consultants; (iv) training; and (v) Operating Costs, all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

5. If the Administrator shall have determined at any time that any amount of the ARTF Grant was used in a manner inconsistent with the provisions of this ARTF Grant Agreement, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator for deposit into the ARTF Grant Account, an amount equivalent to the amount so used.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) provide sustainable, improved water supply and sanitation services to the urban segment of the Afghan population; (ii) build the technical and institutional foundation for the medium-term UWSS program; and (iii) ensure continuity of investment by benefiting from the implementation arrangements already in place and fully operational.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Administrator may agree upon from time to time to achieve such objectives.

Part A: Kabul Water Supply

Construction of the Upper Kabul River wellfield, and associated transmission mains, reservoirs and distribution networks.

Part B: Kabul Sanitation - Wastewater, On-site Sanitation and Solid Waste

Acquisition of equipment and construction of new facilities, including a workshop, a septage disposal station, a solid waste transfer station and the first stage of a new sanitary solid waste landfill.

Part C: Provincial Towns Water Supply and Sanitation

Provision of water supply and sanitation services in provincial towns through: (i) completion of rehabilitation of water supply and sanitation systems and initial expansion of systems in selected provincial towns; and (ii) new construction of systems in towns which are not served by a water supply network.

Part D: Engineering Support and Technical Assistance to CAWSS and to Kabul Municipality

(1) Rehabilitation and expansion of water supply systems, through the carrying out of technical studies and construction supervision, consistent with the Environment and Social Safeguards Framework, for selected water supply systems and construction packages.

(2) Provision of systems operation and management support, including capacity building, human resources management, technical support for financial monitoring, water quality control, and awareness campaigns and involvement of communities.

(3) Conducting technical studies, engineering designs and construction supervision for solid waste management and sanitation investments, consistent with the Environment and Social Safeguards Framework, including updating the Strategic Sanitation Plan.

Part E: Financial Support to the CAWSS Operations

Provision of financial support for the operations of CAWSS, according to eligibility criteria, functioning, implementation, and monitoring arrangements specified in the Operations Manual.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

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 Borrowers" 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. National Competitive Bidding. Works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions of the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Procurement of Small Works. Small works estimated to cost less than \$50,000 equivalent per contract may be procured under the following method:

Lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Administrator, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$50,000 equivalent per contract may comprise entirely national consultants.

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.

Section IV. Review by the Administrator of Procurement Decisions

A. Except as the Administrator shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Administrator:

1. each contract for works estimated to cost the equivalent of \$300,000 or more;
2. each contract for goods estimated to cost the equivalent of \$200,000 or more;
3. each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and
4. each contract for consultants' services provided by individual consultants estimated to cost the equivalent of \$50,000 or more.

- B. All other contracts shall be subject to Post Review by the Administrator.

**ANNEX
to
SCHEDULE 3**

Procedures for National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

- (i) Standard bidding documents approved by the Administrator 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 as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid.
- (ix) Bids shall be opened in public in one place preferably immediately, but no later than one (1) 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 concurrence 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 concurrence; and
- (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.

SCHEDULE 4

Implementation Program

A. Overall Project Implementation and Coordination

1. The Recipient shall carry out the Project in accordance with the Operational Manual, Consultancy ToRs, Strategic Sanitation Plan, and the Environment and Social Safeguards Framework.

2. (a) The Recipient shall vest responsibility for the overall management and coordination of the Project in MUDH. MUDH shall ensure that CAWSS and Kabul Municipality have the overall responsibility for the implementation of Parts A, C, D and E, and Part B of the Project, respectively. MUDH shall, together with the heads of CAWSS, Kabul Municipality and Special Disbursement Unit within the Ministry of Finance, have responsibility for the day-to-day management of the Project.

(b) The allocations of responsibility contained in paragraph (a) above may be changed by the Recipient only with the Administrator's written consent.

3. (a) The Recipient shall maintain the Special Disbursement Unit in its Ministry of Finance in form and with functions, staffing, and resources satisfactory and acceptable to the Administrator, for the purposes of preparing withdrawal applications, transfer of payments, accounting, reporting and obtaining audits.

(b) The Recipient shall cause MUDH to assign a Chief Financial Officer responsible for the oversight and supervision of the activities mentioned in paragraph (a) above, and to support the Special Disbursement Unit to carry out such activities with appropriate financial procedures acceptable to the Administrator.

4. The Recipient shall ensure that the Chief Financial Officer of MUDH and procurement specialists of CAWSS and Kabul Municipality, all suitably qualified and experienced and acceptable to the Administrator, will be assigned to the Project throughout its execution.

5. (a) The Recipient shall implement, in a manner satisfactory to the Administrator, the environmental and social risks mitigation, monitoring and other measures set forth in the Environment and Social Safeguards Framework in accordance with the objectives, policies, procedures, time schedule and other provisions set forth therein, and shall not take or permit to be taken any action which would prevent or interfere with such implementation.

(b) Except as the Administrator shall otherwise agree, the Recipient shall not amend, vary, or waive any provision of the Operations Manual, Consultancy ToRs, Strategic Sanitation Plan, and the Environment and Social Safeguards Framework if, in

the opinion of the Administration, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

6. The Recipient shall cause the MUDH to coordinate the implementation of the Project and prepare the reports referred to under paragraphs B of this Schedule.

B. Progress Reports and Mid-Term Review

The Recipient shall:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator semi-annually beginning six (6) months after the Effective Date a report, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the preceding date of said 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
- (c) review with the Administrator, no later than three (3) months from the date specified in sub-paragraph (b) above, or such later date as the Administrator shall request, the report referred to in sub-paragraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Administrator's views on the matter.

SCHEDULE 5

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 ARTF Grant 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 ARTF Grant Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to US\$2,000,000 to be withdrawn from the ARTF Grant Account and deposited into the ARTF Grant Special Account pursuant to paragraph 3 (a) of this Schedule.
2. Payments out of the ARTF Grant 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 ARTF Grant Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the ARTF Grant 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 ARTF Grant 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 ARTF Grant 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 ARTF Grant 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 ARTF Grant 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 ARTF Grant Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the ARTF Grant Account under the respective 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 ARTF Grant 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 this ARTF Grant 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 ARTF Grant 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 ARTF Grant 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 ARTF Grant 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 ARTF Grant 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 ARTF Grant Agreement, including the General Conditions.