

**FRAMEWORK FINANCING AGREEMENT**  
**(AFG: Energy Sector Development Investment Program)**

**Parties** This Framework Financing Agreement (FFA) dated 22 October 2008 is between the Islamic Republic of Afghanistan, (hereinafter referred to as “Afghanistan”) and Asian Development Bank (hereinafter referred to as “ADB”).

**MFF Investment Program** Afghanistan is committed to, and will, implement the Energy Sector Strategy (Strategy), a component of the Afghanistan National Development Strategy (ANDS), of which the proposed Energy Sector Development Investment Program (the Investment Program) is an integral part. Both the Strategy and the Investment Program are described in Schedule 1 hereto. The estimated total cost of implementing the Investment Program, which covers all of energy subsectors over the next three years, is \$2.3 billion equivalent.

**Multitranche Financing Facility** The multitranche financing facility (Facility) is intended to finance projects, subprojects or components in the Investment Program, provided that such projects, subprojects or components comply with the criteria set out in Schedule 2 hereto and that understandings set out in this FFA are complied with.

The components may include:

- (i) feasibility studies and designs;
- (ii) infrastructure improvements;
- (iii) infrastructure maintenance; and
- (iv) human resource development and institutional reform.

Infrastructure improvements will include construction, rehabilitation, upgrading, and repair of energy infrastructure programmed in the strategy. The main objective of the maintenance component is to increase the sustainability of the Investment Program. The human resource development and institutional reform component is included to increase implementation efficiency and sustainability of the physical investments, and help strengthen the Afghanistan Electricity Corporation [Da Afghanistan Breshna Sherkat (DABS)].

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. At its sole discretion, exercised reasonably, ADB has the right to deny any financing request made by Afghanistan, cancel the uncommitted portion of the Facility, and withdraw Afghanistan's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of Afghanistan to request any financing. Afghanistan has the right not to request any financing under the Facility. Afghanistan also has the right at any time to cancel any uncommitted portion of the Facility.

Afghanistan and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to

refuse a financing request, by giving written notice to such effect to the other parties. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

### **Financing Plan**

The financing plan for implementing the Investment Program is summarized below. Afghanistan has requested ADB to help finance part of the Investment Program through the Facility in the amount of up to the equivalent of \$570 million. This constitutes approximately 24.4% of the funds required to improve the energy section and maintain the energy sector for the next three years.

**Table 1: Financing Plan**  
(\$ million)

<b>Investment Program</b>	<b>Total</b>	<b>%</b>
ADB Facility	570	24.4%
JFPR	12	0.5%
Other Sources*	1,752	75.1%
<b>Total</b>	<b>2,334</b>	<b>100.0%</b>

ADB = Asian Development Bank, JFPR = Japan Fund for Poverty Reduction.

\* Other sources of financing may include multilateral and bilateral financial institutions, Afghanistan's counterpart funding, and private cofinancing.

Source: Asian Development Bank estimates.

### **Financing Terms**

ADB will provide grants and/or loans to finance projects, subprojects or components under the Investment Program, as and when the latter are ready for financing, provided, Afghanistan is in compliance with the understandings hereunder, and the projects, subprojects or components are in line with those same understandings.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project and ADB's financing policies, all prevailing at the time the tranche is documented in a legal agreement.

ADB's Policy on *Revising the Framework for Asian Development Fund (ADF) Grants* was approved by the Board on 26 September 2007. The paper provided that, for countries eligible for grant assistance, the percentage of ADB financing on a grant-basis in the country will be based on such country's debt-distress classification. Afghanistan is classified as a country with high risk of debt distress and therefore eligible to receive its ADF allocation on a 100% grant basis for Tranche 1. The terms and conditions for subsequent tranches will be subject to (i) general availability of ADB Special Funds resources, (ii) Afghanistan's access to such resources pursuant to ADB's Graduation Policy and the requirement of the ADF donors, and (iii) availability of ADB Special Funds resources to Afghanistan pursuant to then applicable policies concerning allocation of and eligibility for such resources.

Tranches may be provided in sequence or simultaneously, and some may overlap in time with each other. Commitment charges or guarantee fees are not payable on the Facility.

**Amount**

The maximum financing amount available under the Facility is five hundred seventy million dollars (\$570,000,000). It will be provided in separate tranches from ADB's Special Funds resources.<sup>1</sup>

**Availability Period**

The last date on which any disbursement under any tranche may be made will be 30 June 2017. The last financing tranche is expected to be executed no later than 31 December 2012.

**Terms and Conditions**

Afghanistan will cause the proceeds of each tranche to be applied to the financing of expenditures of the Facility, in accordance with conditions set forth in this Agreement and the legal agreements for each tranche.

**Execution**

The Executing Agency for the power component of the Facility will be the DABS (of the Islamic Republic of Afghanistan). The Executing Agency for the Sheberghan Gas Fields Rehabilitation component will be the Ministry of Mines (MOM).

DABS and MOM will implement the Facility in accordance with the principles set forth in Schedule 1 to this Agreement, as supplemented with more details in the legal agreements for each tranche.

**Periodic Financing Requests**

The Ministry of Finance (MOF) of Afghanistan may request, and ADB may agree, to provide grants and/or loans under the Facility to finance the Investment Program and its related projects upon the submission of a Periodic Financing Request (PFR). Each PFR should be submitted by the MOF and the MOF will make available to the Executing Agencies, the proceeds of the tranche in accordance with the related PFR, and the legal agreements for the tranche.

Each individual tranche will be for an amount of no less than fifty million dollars (\$50,000,000), or its equivalent. ADB will review the PFR[s] and, if found satisfactory, prepare the related legal agreements. The Projects for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguards and fiduciary frameworks and other documents. ADB and Afghanistan will agree on a Facility Administration Manual and a schedule to initiate these activities, as soon as possible after the date of this Agreement, but prior to the effective date of the legal agreements for the first tranche.

Until notice is otherwise given by Afghanistan, MOF will be Afghanistan's authorized representative for purposes of executing PFRs.

**General Implementation**

The Facility will be implemented in accordance with the general framework set forth in Schedule 3 to this Agreement.

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<sup>1</sup> Provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 and of the Special Operations Loan Regulations applicable to Loans Made by ADB from its Special Funds Resources, dated 1 January 2006, would apply to each such grant and/or loan, respectively, subject, to modifications, if any, that may be included under any respective grant and/or loan agreement (said Special Operations Grant Regulations and Special Funds Loan Regulations as may be modified from time to time, being hereinafter called the Grant Regulations and Loan Regulations, respectively).

<b>Framework Procedures</b>	<p>Each tranche to be provided from the Facility will be subject to the following procedures and undertakings:</p> <ul style="list-style-type: none"> <li>(a) Afghanistan will have notified ADB of a forthcoming PFR in advance of the submission of the PFR;</li> <li>(b) Afghanistan will have submitted the PFR in the format as agreed with ADB;</li> <li>(c) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche; and</li> <li>(d) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.</li> </ul>
<b>PFR information</b>	<p>The PFR will substantially be in the form attached hereto, and will contain the following details:</p> <ul style="list-style-type: none"> <li>(i) Loan, grant, guarantee, or cofinancing amount;</li> <li>(ii) Description of projects or subprojects and their components to be financed;</li> <li>(iii) Cost estimates and financing plan;</li> <li>(iv) Implementation arrangements specific to such projects or subprojects and their components;</li> <li>(v) Confirmation of the continuing validity of and adherence to the understanding in this Agreement;</li> <li>(vi) Confirmation of compliance with the provisions under previous Grant or Loan Agreement(s) and Project Agreement(s), as appropriate; and</li> <li>(vii) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.</li> </ul>
<b>Safeguards</b>	<p>Attached as Schedule 5 are the references to safeguards frameworks that will be complied with during implementation of the Facility. ADB Safeguard Policies,<sup>2</sup> in effect as of the date of signing the legal agreements for a tranche, will apply to the projects or subprojects financed under such financing tranche.</p>
<b>Procurement</b>	<p>All works and goods to be financed from the Facility will be procured in accordance with ADB's <i>Procurement Guidelines</i> (2007, as amended from time to time).</p>
<b>Consulting Services</b>	<p>All consulting services to be financed from the Facility will be procured in accordance with ADB's <i>Guidelines on the Use of Consultants</i> (2007, as amended from time to time).</p>
<b>Advance contracting and Retroactive financing</b>	<p>Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting of consulting services, civil works, goods, and other items of expenditure and (b) retroactive financing of eligible expenditures for such consulting services, civil works, goods, and other items of expenditure.</p> <p>Works, goods, services, and other items of expenditure funded under the Facility are eligible for retroactive financing if not exceeding 20% of the relevant tranche amount, and incurred before grant effectiveness, but not</p>

<sup>2</sup> ADB's Safeguards Policies include (i) the *Involuntary Resettlement Policy* (1995), (ii) the *Environment Policy* (2002), and (iii) the *Policy on Indigenous Peoples* (1998).

earlier than 12 months before the signing of the Grant Agreement. Afghanistan acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.

**Disbursements** Disbursements will be made in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time).

In projects, subprojects or components financed under a tranche of the Facility where land acquisition and involuntary resettlement are required, no works will be undertaken until ADB has received Afghanistan's certification, in form and substance satisfactory to ADB, that all land and rights-of-way required for the civil works are free and clear from any and all rights or claims of third parties and any other encumbrances whatsoever.

**Monitoring, Evaluation, and Reporting Arrangements** DABS and MOM will develop a Facility performance monitoring system and a project performance monitoring system to monitor performance of their respective Projects and the Investment Program acceptable to ADB. Baseline data will be collected by through consultations, field observations, and measurements made by the contractors, supervision engineers, and their own personnel. Collection of data will continue during implementations, and data will be analyzed every 12 months. Results of the analyses and any corrective measures will be submitted as part of quarterly reports. DABS will also perform a complete analysis of related primary and secondary data on impacts and outcomes. The results of that analysis will be contained in the Project Completion Report to ADB.

Schedule 2 hereto sets as the Design and Monitoring Framework for the Facility, against which the implementation effectiveness will be evaluated.

**Undertakings** Attached as Schedule 6 are the undertakings provided by Afghanistan.

**Representations and Warranties** **Power Sector Specific**

- (a) Afghanistan is committed to development of its energy sector and implementation of the Investment Program substantially in accordance with the financing plan and power sector road map outlined in Schedule 1 hereto;
- (b) DABS is duly formed and validly existing under the laws of Afghanistan and is authorized to implement the projects, subprojects and components described hereunder.
- (c) A long-term power purchase agreement has been signed between Afghanistan and Tajikistan on terms and conditions commercially viable for DABS.

Signed in counterparts and exchanged electronically on the day and year first above.

ISLAMIC REPUBLIC OF AFGHANISTAN

ASIAN DEVELOPMENT BANK

(Original signed)  
Wahidullah Shahrani  
Deputy Minister  
Ministry of Finance

(Original signed)  
Juan Miranda  
Director General  
Central and West Asia Department

## SCHEDULE 1

### MFF CONSTITUENTS

#### A. Road Map

1. Devastated by decades of conflict, Afghanistan currently has one of the lowest levels of electrification ratio and energy consumption in the world. It is estimated that only about 9% of the population has access to intermittent public power, and per capita electricity consumption is as low as 21 kWh per year. The country's power grid consists of several fragmented systems, and for most grid consumers, power is available only several hours on non-consecutive days.

2. The Government of the Islamic Republic of Afghanistan (the Government) has given far greater priority on electricity in its post-conflict efforts to reconstruct the energy sector, based on the understanding that modern economies are built predominantly on electricity

3. Since 2001, the Government's energy efforts have focused on keeping the lights on and providing heat in the winter. The short term focused activities alone can continue only so long before the long term growth path of the country is adversely impacted. It is now imperative to place greater emphasis on a more long-range, sustainable future for the energy sector. This includes balancing on-going efforts to rehabilitate and expand energy resources with a longer-term strategy for the sector.

4. The Energy Sector Strategy attached to the Afghanistan National Development Strategy (2008-2013), presents its vision as "an energy sector that provides citizens of Afghanistan and drivers of growth in the economy with long-term reliable, affordable energy access based on market-based private sector investment and public sector oversight". This vision is to be materialized through enhancing four focus areas: (i) efficient operation of infrastructure; (ii) sector governance; (iii) rural and renewable energy; and (iv) expanding supply."

5. Increasing the access and quality of access to electricity, from the present 9% electrification ratio is a major concern for the Government. To achieve the Strategy objectives, the Government is preparing a medium term power sector road map, a comprehensive government plan that specifies the details of system renovation and expansion. The objective of the road map develop a reliable and high-quality power supply to meet rising demand from industrial, commercial, agricultural, and domestic customers. The sector policy and road map are currently under review and will be presented to the Afghanistan cabinet in due course.

#### B. Strategic Context

6. The lack of development in the power sector is a major bottleneck for economic development. Afghanistan has one of the lowest rates of energy consumption in the world, with fuelwood accounting for more than 85% of all energy consumed. Per capita electricity consumption has fallen by 75% since 2004 to 21 kWh per month. The national electrification ratio is about 9%, with the major load area in Kabul having 28% of households connected.

7. The institutional reform initiatives outlined in the Strategy to increase DABS's operational efficiency need support and guidance from the donors. ADB is poised to play the lead role as facilitator of the reforms by providing the resources for engaging professionals to fill key positions, and mentoring new staff during the initial years of the new agency.

8. ADB's strategy<sup>3</sup> for assistance to Afghanistan's power sector is to undertake capacity building and training for MEW and its enterprises; rehabilitation and urgent repair of power infrastructure, in particular, transmission and distribution lines; establishment of a national power transmission grid<sup>4</sup>; and power trading and interconnection with neighboring countries.

## C. Policy Framework

### Challenges

9. The energy sector of Afghanistan faces tremendous physical and non-physical challenges.

### Physical Challenges

10. **Generation.** The total generation capacity in Afghanistan is only about 625 MW<sup>5</sup> including 167 MW of imported power from neighboring countries. Hydropower accounts for about 40% of the total capacity. However, due to droughts and reduced river flows of the recent years, there is a greater tendency to resort to more expensive diesel generation. To replace expensive diesel power, there is an urgent need to increase power import in the short-term and develop domestic generation capacity in the longer term. Afghanistan has an estimated 23,000 MW of hydropower resources, and has indigenous gas and coal resources. Development of such resources will not only improve the energy mix, but also enhance energy security of the country.

11. **Transmission.** Only fragmented transmission lines were available in and around major load centers before reconstruction. The Government determined the development of NEPS as the priority program, and donors have committed more than \$ 1 billion since 2003. However, DABS lacks the capacity to independently maintain the NEPS. It is urgent for a service provider to undertake this task while training DABS staffs to gradually take over. It is also important to augment other fragmented transmission systems in the south and the west.

12. **Distribution.** The Government and donors have funded major rehabilitation and expansion of the distribution networks associated with the NEPS. Distribution networks in areas apart from NEPS also need to be rehabilitated as many were destroyed during conflict or have exhausted their economic life causing technical losses.

13. **Technical loss.** The current level of technical loss is estimated to be about 30%. Assuming 10% is an acceptable level of technical loss the balance of 20% is estimated to be worth \$ 27.9 million a year at US\$ 0.12/kWh<sup>6</sup>. Reduction of technical loss is important both in terms of financial sustainability of DABS and supplying more power to the consumers.

14. **Rural energy and electrification.** The flagship initiative for rural electrification is the multi-donor funded National Solidarity Program (NSP) under the Ministry of Rural Rehabilitation and Development (MRRD). However, the NSP primarily supports electrification schemes typically below 25 kW, while larger schemes are planned and implemented in an uncoordinated manner. The Renewable Energy and Rural Electrification Subcommittee was established under

<sup>3</sup> ADB. *Country Strategy and Program Update 2006-2008 Islamic Republic of Afghanistan*. 2005. Manila.

<sup>4</sup> TA4318: Preparing the National Power Transmission Grid Project; L2165 Power Transmission and Distribution Project.

<sup>5</sup> Actual capacity is assessed to be much less, in the order of magnitude of 400 MW.

<sup>6</sup> 20% of a total of 1,162.3GWh of power in 2005, or 232.5MWh. Source: *MEW Power Sector Strategy*. 2007 (draft).

the Inter-Ministerial Commission for Energy (ICE) in September 2008 to enhance coordination.

15. **Natural gas.** Natural gas resources in Afghanistan, but infrastructures have been destroyed or dilapidated. The Government is considering rehabilitation of the domestic gas wells in order to add generation capacity to the NEPS. Ministry of Mines (MOM) has sought donor assistance to rehabilitate gas fields for development of a gas-fired power plant.

16. **Coal.** The coal industry is operating at low production rates due to devastation by more than two decades of war and years of neglect. Until the end of 2006, coal operations were primarily contained in two state enterprises with oversight of the MOM. Some recent lease arrangements to private operators have since been put in place. In May 2007, the Government also established a Coal Commission, with the primary function of examining industrial demand for coal as a fuel source. However, no programmatic assistance has been provided to the Afghan coal sector.

#### a. Non-Physical Challenges

17. **Legal and regulatory framework.** An array of institutions engaged in different aspects of energy operations and lack of clear legal and regulatory framework leaves energy sector operations vulnerable to technically deficient planning and design, fiscally uncertain project selection and corrupt practices. A multi-sector regulatory body has been established in early 2008, but, in the power sector in particular, considerable assistance will be required to develop the capacity within DABS to develop their planning and financial functions in order to develop and present tariff petitions.

18. **Corporatization of DABS and commercialization of the energy sector.** In 2008, the Cabinet approved the Articles of Incorporation for DABS as a Government-owned commercial company that will operate under the Commercial Code and any other laws that apply to private investment. In addition, the Government is planning to design a “divestment strategy” due to commence in 2009 that will consider the liquidation, restructuring, commercialization, and/or privatization of energy assets now operating under state control. Attention to sector governance aimed at streamlining within Government ministries with the ultimate goal of reducing the Government’s direct involvement in the energy sector is an important part of Government’s overall energy sector policy.

19. **Financial.** In 2006, DABM doubled electricity tariffs<sup>7</sup>. The new tariff level will help defray diesel costs that DABS will continue to incur especially in the winter since import from Uzbekistan is initially limited and import from Tajikistan is only for the summer months. DABS will need to further increase real tariffs to attain cost recovery<sup>8</sup>. It is also important for DABS to improve billing and tariff collection and reduce technical and commercial losses.

20. **Commercial loss.** Commercial losses in the systems operated by DABS ascribe mainly to theft, unbilled energy, and unpaid or uncollected energy. It is estimated that collection is only 60% of billing. Conservatively assuming commercial loss at 40%, financial loss is \$44.6 million per year. Combined with technical losses estimated at \$27.9 million per year, the implication of such losses to the financial sustainability for DABS is severe.

<sup>7</sup> from an average of \$0.0416/kWh to \$0.0830/kWh

<sup>8</sup> ADB estimates that the final average tariff to consumers after 2009 will be in the range of \$0.12 to \$0.14 per kWh.

21. **Donor coordination.** Donor activities in the energy sector are coordinated through ICE.<sup>9</sup> Chaired by the Minister of Economy, it includes MEW and the Ministries of Finance and Mines as core members. ICE was designed to help the Government to understand, support, design and monitor energy development based on commercial principles. It has oversight of energy sector policy and infrastructures investments and coordinates support from development partners.

22. **Human Resources.** Low salaries and the loss of operational and technical skills during the conflict have left the operations of the industry in a poor state. The current salaries of engineers at DABS are less than 10% of market rates and were the major inhibitor to hiring and retaining well qualified technical capability at DABS. The high turnover makes capacity development a challenge.

### Energy Sector Strategy

23. The Energy Sector Strategy, prepared as a part of the Afghanistan National Development Strategy (2008-2013). This vision is to be materialized through enhancing four focus areas.

- (i) **Efficient operation of infrastructure.** Recognizing the high rates of technical and commercial losses in the power sector, the Strategy emphasizes the importance of rehabilitating existing energy infrastructures and institutional reform. The commercialization of DABS is aimed at improving operational efficiency to reduce technical and commercial losses.
- (ii) **Sector governance.** The Strategy stresses importance of sector governance, enabling laws, policies and regulations to attract PSP. It also stresses reduction and increased transparency of subsidies as Government is incurring \$56 million a year in power subsidies alone.
- (iii) **Rural and renewable energy.** The Strategy recognizes the overlapping function of MEW and MRRD with respect to rural energy, and points out to the importance of establishing a clear demarcation while also enhancing collaboration. It asserts the need to develop a rural-remote energy policy and a rural energy master plan, while admitting capacity building through donor assistance is required to accelerate the development of rural and renewable energy.
- (iv) **Expand Supply.** Expansion of supply focuses on the power sector and identifies priority development of the load dispatch center and the NEPS. The strategy also highlights the need to increase import from neighboring countries and highlights importance of concluding favorable power purchase agreements (PPAs) to maximize supply.

### Power Sector Strategy

24. The objective of the Power Sector Strategy is to meet the relevant benchmarks of the Afghanistan Compact which include the following:

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<sup>9</sup> ADB. 2007. *Technical Assistance to Afghanistan for Support to the Inter-ministerial Commission for Energy*. Manila (TA 4918-AFG, approved on 17 January 2007).

- electricity will reach at least 65% of households in major urban areas by March 2010;
- electricity will reach at least 90% of non-residential establishments in major urban areas by end-2010;
- at least 25% of rural households will have electricity access by end-2010; and
- at least 75% cost-recovery from national power grid by end-2010.

25. These benchmarks are overly ambitious, and it is unlikely that any of the benchmarks will be reached by the stipulated date. Nonetheless, these benchmarks are referred to as guiding principles for the development of the power sector.

### **Energy Sector Development Plan**

26. Due to the emergency nature of reconstruction, the magnitude and diversity of investment requirements, and the reliance on foreign assistance, the Government does not have a specific development plan for the energy sector. A power sector master plan was prepared in 2004 but is outdated. Priority projects are identified and allocated to donors as needed through monthly ICE meetings. A road map, which compiles the country's energy investment needs is currently being drafted and would be the guide for investments in the future.

### **D. Investment Program**

27. ADB will provide financing, as and when necessary between 2008 and 2012, for physical and non-physical components of projects (Projects). The proposed allocation of funds is shown in Table 1. Each Project will include one or more of the following components of the energy sector, which are described below: (i) feasibility studies and designs; (ii) infrastructure improvements; (iii) infrastructure maintenance; and (iv) human resource development and institutional reform.

**Table 1: Priority Listing of Potential Projects for ADB Facility**  
(\$ million)

No	Subproject Name	Tranche 1	Tranche 2	Tranche 3	Tranche 4
1	NEPS 220 kV Transmission Line: Kunduz – Taloqan	26.4			
2	NEPS Distribution Network: Kunduz	18.9			
3	NEPS Distribution Network: Baghlan	12.4			
4	NEPS 220 kV System Operation and Maintenance	29.8			
5	Baharak Small Hydropower Plant and Mini-Grid	22.1			
6	Sheberghan Gas Fields Rehabilitation	25.4			
7	Project Management (Consulting Services)	7.5			
8	Preparation of Tranches 2 and 3 (Consulting Services)	2.5			
9	NEPS 220 kV TL Replication: Pul-e-Khumri – Chimtala		80.0		
10	DABS Institutional Capacity Development (MIS, Metering, Billing, Collection)		10.0		
11	Project Management and Due Diligence		5.0		
12	NEPS 220 kV TL: Southern Extension		55.0	21.0	
13	NEPS 220 kV Chimtala 160 MVA Substation Replication			35.0	
14	Lower Kokcha River Hydropower Plant			44.0	156.0
15	Project Management Office (PMO) Support	3.0			
16	Tranche 1 Contingency	16.0			
	<b>Tranche Subtotal</b>	<b>164.0</b>	<b>150.0</b>	<b>100.0</b>	<b>156.0</b>
	<b>Investment Program Total</b>		<b>570.0</b>		

DABS = Da Afghanistan Breshna Sherkat, kV = kilovolt, MIS = management information systems, MVA = megavolt-Ampere, NEPS = North East Power System, No = number.

Note: The above does not include taxes and duties payable by the Government of Afghanistan.

Note 2: Projects under Tranches 2 and 3 are indicative.

Source: Asian Development Bank and Afghanistan Electricity Corporation.

### (i) Studies and Designs

28. Project funds may be used for studying the feasibility or preparing the designs of projects to be financed from the facility.

### (ii) Infrastructure Improvement Component

29. Infrastructure improvements may include construction, rehabilitation, and repair of national energy infrastructure, which are prioritized by the government and programmed for implementation in the medium term, as well as consultancy services for supervision of all works. Criteria for selecting and procedure for gaining ADB approval of works in this component are given in Schedule 4.

### (iii) Infrastructure Maintenance Component

30. Maintenance will be included as part of infrastructure project, which will enable 3-5 years of post completion of equipment, spare parts and high voltage transmission operations and maintenance to be procured at the outset. DABS will use bidding documents for performance-based energy sector maintenance, consistent with ADB's *Procurement Guidelines* and the national procurement law. The principal output of this feature will be energy sectors maintained according to pre-established standards with assurances of safety, availability, and which conforms within the grid code.

**(iv) Human Resource Development & Institutional Reform Component**

31. One objective of this component is to increase the sustainability of the energy sector network by increase the skills of DABS staff to perform their duties effectively. Interventions under this component will build upon past and on-going technical assistance to expand the knowledge of DABS staff through mentoring and on-the job training. DABS's management will engage national and foreign specialists to do the transfer of knowledge and mentoring. Each specialist will work together with three to four DABS staff for at least 18 months, and at the end of the period, the staff will have adequate knowledge and tools to perform the tasks independently.

**E. Financing Plan**

**Table 2: Investment Plan**  
(\$ million)

Item	Tranche 1	Tranche 2	Tranche 3	Tranche 4	JFPR*
Japan Fund for Poverty Reduction (JFPR)					12.0
ADB Facility	164.0	150.0	100.0	156.0	
<b>Facility Total</b>		<b>570.0</b>			
<b>Investment Plan Total</b>			<b>582.0</b>		

ADB = Asian Development Bank, ADF = Asian Development Fund, JFPR = Japan Fund for Poverty Reduction.

\*JFPR will be implemented together with Tranche 1 of the ADB Facility.

Source: Asian Development Bank.

## SCHEDULE 2

### DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and/or Indicators	Monitoring Mechanisms	Assumptions and Risks
<p><b>A. Impact</b></p> <p>Improved and Cost effective power supply to all customers.</p>	<ul style="list-style-type: none"> <li>• Increase consumption per capita per year from 21 kWh to 30 kWh by 2017.</li> <li>• Self sustainability of DABS.</li> <li>• Cost Recovery Tariffs.</li> </ul>	<ul style="list-style-type: none"> <li>• National and regional statistics.</li> <li>• DABS audit.</li> <li>• Review of tariff methodology.</li> <li>• Review Missions.</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Successful implementation of other energy sector projects.</li> <li>• Improved institutional capacity and independence of DABS.</li> <li>• Government remains committed to energy sector reforms on policy, regulation, institution and tariffs.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Political stability and security.</li> <li>• DABS operations and governance is not modernized.</li> <li>• Collection levels are inadequate.</li> </ul>
<p><b>B. Outcome</b></p> <ul style="list-style-type: none"> <li>• Improved power supply in northern and eastern Afghanistan, Kabul and areas south of Kabul.</li> <li>• Improved institutional capacity within DABS (MIS, metering, billing, collection, O&amp;M capabilities, and project management).</li> </ul>	<ul style="list-style-type: none"> <li>• Power system capable to supply 1450MW of connected load by 2017 from NEPS system.</li> <li>• Reduction of network losses from 50% to 30% by 2017.</li> <li>• PIU to be staffed solely by DABS personnel by 2015.</li> <li>• DABS to perform O&amp;M functions independently by 2015.</li> </ul>	<ul style="list-style-type: none"> <li>• MEW reports and national statistics.</li> <li>• Project performance and monitoring systems.</li> <li>• Surveys of consumers.</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Synchronization of power networks with neighboring countries increasing available power.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Neighboring power exporting countries do not have capacity to export.</li> </ul>
<p><b>C. Outputs</b> (Physical)</p> <ul style="list-style-type: none"> <li>• Increased customers in NEPS area through (i) Kunduz – Taloqan Transmission Line, (ii) Kunduz and Baghlan Distribution, (iii) Replication of Pul-e-Khumri – Chintala Transmission Line, (iv) Replication of Chimtala Substation, and (v) Kabul South Extension.</li> <li>• Increased hydro capacity by (i) Baharak Small Hydro, (ii) Mini Hydros</li> </ul>	<ul style="list-style-type: none"> <li>• Increase transmission network by 770km in NEPS by 2015.</li> <li>• Grid supply available to an additional 6 cities by 2015 (Taloqan, Kunduz, Baghlan, Logar, Gardez, Kabul).</li> <li>• 14MW of additional hydro generation by 2017.</li> <li>• 3,500TJ of additional gas supply from Sheberghan Gas fields by 2013.</li> </ul>	<ul style="list-style-type: none"> <li>• DABS connection records.</li> <li>• Quarterly progress reports prepared by implementation consultants.</li> <li>• Project Review Missions.</li> <li>• Project performance reports.</li> <li>• Taking over certificates for implementation contracts prepared by implementation consultants.</li> <li>• Project Completion Report.</li> </ul>	<p><b>Assumptions</b></p> <ul style="list-style-type: none"> <li>• Timely procurement and construction.</li> <li>• Cost escalation within projected level.</li> </ul> <p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Lack of counterparty funds.</li> <li>• Limited EA capacity.</li> <li>• Security of project site.</li> </ul>

Design Summary	Performance Targets and/or Indicators	Monitoring Mechanisms	Assumptions and Risks
(JFPR), and (iii) Lower Kokcha Hydro. <ul style="list-style-type: none"> <li>Rehabilitated Sheberghan gas fields.</li> </ul>			
<b>C. Outputs</b> (Non-Physical) <ul style="list-style-type: none"> <li>Institutional support for DABS; <ul style="list-style-type: none"> <li>MIS</li> <li>Metering and Billing</li> <li>O&amp;M of 220kV NEPS.</li> <li>Project management</li> </ul> </li> <li>Due diligence for future tranches and projects.</li> </ul>	<ul style="list-style-type: none"> <li>MIS: MIS used in DABS by 2014.</li> <li>Metering and Billing: Commercial losses reduced from 40% to 20% by 2017.</li> <li>O&amp;M: Technical losses reduced from 30% to 15% by 2015.</li> <li>Project Management: DABS to manage projects without consultant support by 2013.</li> <li>Future projects identified and prepared by DABS staff.</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly progress reports prepared by consultants.</li> <li>DABS financial statements.</li> <li>Project Review Missions.</li> <li>Project performance reports.</li> </ul>	<b>Assumptions</b> <ul style="list-style-type: none"> <li>Timely mobilization of consultants.</li> <li>EA and government cooperation.</li> </ul> <b>Risks</b> <ul style="list-style-type: none"> <li>Recruitment of capable consultants.</li> </ul>
<b>D. Major Activities with Milestones</b> [Tranche 1] <ul style="list-style-type: none"> <li>Management consultants for PIU support recruited and mobilized (Q2 2009).</li> <li>Implementation consultants for Tranche 1 projects recruited and mobilized (Q2 2009).</li> <li>Tranche 2 project preparation consultants recruited and mobilized (Q2 2009).</li> <li>Tranche 2 projects prepared (Q4 2009).</li> <li>Bidding documents begin to be issued (Q2 2010).</li> <li>220kV NEPS O&amp;M management contract concluded. (RFP prepared separately; Q2 2010).</li> <li>Contractors begin to be mobilized (Q4 2010).</li> <li>Distribution Networks (Kunduz and Baghlan) commissioned (Q2 2012).</li> <li>Mini Hydros (Badakhshan and Bamyān; JFPR) commissioned (Q3 2012).</li> <li>Transmission Line (Kuduz – Taloqan) commissioned (Q4 2012).</li> <li>Sheberghan gas fields rehabilitated (Q4 2012).</li> <li>220kV NEPS O&amp;M management contract and training completed (Q3 2013).</li> <li>Baharak Small Hydropower commissioned (Q4 2013).</li> </ul> [Tranche 2] <ul style="list-style-type: none"> <li>Tranche 2 (PFR 2) approved (Q4 2009).</li> <li>Tranche 3 project preparation consultants recruited and mobilized (Q1 2010)</li> <li>Implementation consultants for Tranche 2 projects recruited and mobilized (Q1 2010).</li> <li>Tranche 3 projects prepared (Q3 2010).</li> <li>Bidding documents begin to be issued for Tranche 2 projects (Q4 2010).</li> <li>Contractors begin to be mobilized for Tranche 2 investment projects (Q1 2011).</li> <li>DABS Capacity Development (MIS, metering/billing/collection) complete (Q4 2012).</li> <li>Completion of Tranche 2 investment projects (Q2 2014).</li> </ul> [Tranche 3] <ul style="list-style-type: none"> <li>Tranche 3 (PFR 3) approved (Q4 2010).</li> <li>Implementation consultants for Tranche 3 projects recruited and mobilized (Q2 2011).</li> <li>Bidding documents begin to be issued for Tranche 3 projects (Q1 2012).</li> <li>Contractors begin to be mobilized for Tranche 3 projects (Q3 2012).</li> <li>Completion of Tranche 2 projects (Q4 2016).</li> </ul>			<b>Inputs</b> ADB MFF (grant) Tranche 1: \$164 million Tranche 2: \$150 million Tranche 3: \$100 million Tranche 4: \$156 million <b>MFF Total: \$570 million</b>  JFPR (grant): \$12 million  <b>Total \$582 million</b>  (excluding Government share of taxes and duties)  (JFPR is co-financing for MFF Tranche 1)

## SCHEDULE 3

### IMPLEMENTATION FRAMEWORK

1. Unless otherwise provided in the legal agreements for an individual tranche, the Investment Program and Projects will be implemented as follows:

#### **Management of the Investment Program**

2. DABS will be responsible for the overall implementation of the Investment Program as well as of all projects to be financed under the Investment Program except for the Sheberghan gas fields rehabilitation project for which MOM will be the EA. A Project Management Office (PMO) will be established within DABS to manage the implementation of the projects and to perform due diligence for projects to be implemented in subsequent tranches. MOM will second staff to support the PMO in regards to management implementation of the Sheberghan gas fields rehabilitation project.

3. Considering the limited capacity and resources in the EAs, significant assistance will be required to implement the Investment Program and its projects in a timely manner. A team of project management consultants (PM Consultants) will be recruited to assist the PMO operations and to provide training. In order to give the sense of ownership to the EAs and to realize efficient operations, the Director will be a senior management staff of DABS and the Deputy Director will be the team leader of the PM Consultants. Tranche 1 has \$3 million allocated as recurrent costs to help support the PMO. The Deputy Director will be in charge of the day-to-day operations, while the Director will have overall responsibility of the performance of the PMO. The Director will report to the Chief Executive Officer of DABS and MOM for the Sheberghan gas fields rehabilitation project.

4. The PMO will have six divisions: (i) finance and administration; (ii) legal; (iii) project supervision and procurement; (iv) technical; (v) safeguard (including gender issues); and (vi) evaluation, monitoring and reporting. Provided that EAs, and therefore the PMO, has limited capacity, PM Consultants will assume key positions in the PMO at the beginning of the Investment Program.

5. One of the first tasks of the PM Consultants is to establish a Management Information System (MIS) for the PMO. The MIS will compile information on all PMO responsibilities including contract awards, disbursement, imprest account, progress projection and monitoring, project performance and monitoring, financial statements of projects, Investment Program and of PMO, safeguard monitoring, consultant recruitment and management, procurement, technical data and specifications, asset inventory, reports and communication logs.

6. The PMO will prepare quarterly progress reports and will submit them to ADB within two weeks from the end of the subject quarter. The quarterly progress reports prepared will provide (i) a narrative description of progress made during the period (including progress on compliance with all safeguard requirements), (ii) changes in the implementation schedule, (iii) problems or difficulties encountered, and (iv) work to be carried out in the next period. The progress reports will also include a summary financial account for the project components, consisting of project expenditures during the period, total expenditure to date, and project performance monitoring in accordance with procedures and details acceptable to ADB.

7. It will also submit safeguard compliance reports twice a year. Annual Report on the Investment Program will be submitted within one month from the end of the subject year, and an annual audit report will be submitted within six months from the end of the subject year. Overall progress and compliance with conditions of the Grant Agreement will be monitored regularly and reviewed by ADB.

### **Implementation Period**

8. The Investment Program is scheduled for 8 years inclusive of procurement and construction activities and is expected for completion at the latest by 31 December 2016. Period of utilization is until 30 June 2017. The physical implementation of Tranche 1 is expected to be completed by 31 December 2013. The implementation schedule for the projects under the subsequent tranches will be prepared during implementation of Tranche 1. The Implementation Schedule can be found in Annex 1 at the end of this schedule.

### **Implementation Plan and Project Readiness**

9. **Implementation Plan.** The PM Consultants will be recruited before grant effectiveness through advance contracting to assist DABS organize the PMO. The establishment of fundamental functions of the MIS is also to be completed before recruitment of implementation consultants for Tranche 1 projects.

10. There is a risk that the PM Consultants will not be able to be mobilized in a timely manner given the volatile security situation and limited qualified consultants active in Afghanistan to perform the project management role. In such case, ADB will provide support to commence the project-wise recruitment process from headquarters with close coordination with the Afghanistan Resident Mission.

11. An indicative implementation plan with contract awards and disbursement projections have been prepared to serve as a guide during the start-up period of the Investment Program. The indicative implementation plan should be interpreted together with the indicative implementation schedule showing detailed activities.

12. **Project Readiness.** Preliminary designs or feasibility studies have been executed for all Tranche 1 projects except for the JFPR co-financed Development of Mini Hydropower Plants in Badakshan and Bamyán Provinces. This is because scope of this JFPR project involves, in Phase I, the identification, selection, planning and design of potential mini hydropower sites for development in Phase II.

13. For all other Tranche 1 projects, due diligence has been performed to test them for technical, economical, and financial viability. Concurrence of Government and the EAs has been obtained for all Tranche 1 projects. All Tranche 1 projects involving physical investment have been categorized as Category B in terms of environmental impact, and initial environmental examination (IEE) reports have been prepared. Land acquisition and resettlement plans (LARPs) have been prepared for the projects that involve land acquisition and resettlement (LAR). An environmental assessment and review framework (EARF) and a land acquisition and resettlement framework (LARF) have been prepared for the JFPR project since specific sites will only be identified during implementation. Terms of reference (TOR) for all Tranche 1 consulting services have also been drafted.

## Procurement

14. Procurement of works and goods to be financed under the Investment Program will be implemented in accordance with ADB's procurement guidelines<sup>10</sup> (Procurement Guidelines) as amended from time to time. International competitive bidding (ICB) will generally be used for supply contracts estimated to cost over \$0.5 million and for works over \$2 million. National competitive bidding (NCB) will be used for goods and works above \$100,000 and below their respective thresholds for ICB. Shopping will be used for goods and works equal to or below \$100,000.

15. In Tranche 1, limited international bidding (LIB) will be used to procure the contractor for the Sheberghan Gas Fields Rehabilitation project. The project was previously included under a separate project<sup>11</sup>, but bidding failed as there was not a single expression of interest. USAID had also been bidding for a contractor for identical works in an adjacent field since 2006. After two years, USAID was finally able to conclude a contract with a contractor in August 2008. These events demonstrate that interest of competent contractors for this specialized contract is limited.

16. The procurement plan (Annex 2) will be updated at least annually covering the next 18 months of procurement activity. NCB Annex in Section 3 of the procurement plan summarizes necessary modifications or clarifications to the Borrower's procedures to carry out NCB under financed the Facility.

## Consulting Services

17. Consultants will be selected and engaged in accordance with the Consultant Guidelines,<sup>12</sup> as amended from time to time. Quality-based selection method (QBS) will generally be used to attract interest of qualified firms, since qualified firms tend to avoid cost competition in a volatile environment. ADB has had experience with substandard consultants being recruited through the conventional quality- and cost-based selection method which had resulted in poor quality, delays and cost overruns. Controlling progress, quality, cost and safety of construction works in Afghanistan is widely recognized to be an extremely difficult task. As the performance of the consultant has a significant impact on the quality of the output and further entails downstream impacts to the community, environment and project sustainability, the quality of the consulting services is prioritized over cost.

18. In Tranche 1, single-source selection (SSS) will be used to recruit implementation consultants for the abovementioned Sheberghan Gas Fields Rehabilitation project for the same reason as for the use of LIB. Individual consultants may be recruited for specific assignments in accordance with ADB's procedures for recruitment of individual consultants. Least-cost selection method will be used to recruit external auditors and external agencies to monitor implementation of safeguard policies.

<sup>10</sup> ADB. 2007. *Procurement Guidelines*. Manila.

<sup>11</sup> ADB. 2003. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to the Islamic Republic of Afghanistan for the Emergency Infrastructure Rehabilitation and Reconstruction Project*. Manila. (Loan 1997-AFG)

<sup>12</sup> ADB. 2007. *Guidelines on the Use of Consultants*. Manila.

### **Advance Contracting and Retroactive Financing**

19. Anticipating the relatively long recruitment and procurement process ascribing to the security situation in Afghanistan, ADB management has approved advance contracting and retroactive financing requested by the Government. The Government was informed that, in order for expenses incurred before tranche effectiveness to be eligible for retroactive financing, procurement and recruitment procedures must be fully compliant with the Procurement Guidelines and Consultant Guidelines. At effectiveness, up to 20% of such tranche proceeds may be used to retroactively finance eligible expenditures incurred during the period not exceeding 12 months prior to signing of the financing agreement. Alternatively, the Government may also opt for advance contracting without retroactive financing, in which case, the procurement procedures completed under advance contracting do not conclude with the award of contract until after the tranche become effective. The Government and the EAs have been informed that approval of advance contracting and retroactive financing does not commit ADB to finance any of the proposed projects.

### **Disbursement Arrangements**

20. Loan disbursements will be in accordance with ADB's disbursement handbook<sup>13</sup> (Disbursement Handbook), as amended from time to time. Direct payment procedures will generally be used for large civil works contracts, turnkey contracts and consulting services. Commitment procedures may be used for large turnkey contracts, and supply and delivery contracts.

21. EAs will independently establish their respective imprest accounts for the Investment Program at a bank acceptable to ADB, with initial advance equivalents to the estimated eligible project expenditures to be paid through the imprest accounts for the next 6 months or \$100,000, whichever is lower. The imprest account will be established, managed, and liquidated in accordance with the Disbursement Handbook, and detailed arrangements agreed to by the Government and ADB. Statement of expenditure procedures will be used to reimburse eligible expenditures, or to liquidate and replenish the imprest account for any individual payment under \$50,000.

### **Anticorruption Policy**

22. ADB's *Anticorruption Policy* (1998, as amended to date) was explained to and discussed with the Government including the EAs. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to projects under the Investment Program. To support these efforts, relevant provisions of ADB's *Anticorruption Policy* are included in the grant regulations and the bidding documents for the Investment Program. In particular, all contracts financed by ADB in connection with the Investment Program shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EAs, and all contractors, suppliers, and consultants and other service providers as they relate to the Investment Program.

### **Financial Accounting and Auditing**

23. The EAs will independently (i) maintain separate accounts for each of their projects under the Investment Program, (ii) have such accounts audited annually, in accordance with

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<sup>13</sup> ADB. 2007. *Loan Disbursement Handbook*. Manila.

appropriate auditing standards applied by independent auditors whose qualifications, experience, and terms of reference are acceptable to ADB, (iii) furnish certified copies of such audited project accounts, audited financial statements and the auditors' opinion (including the opinions on the use of the grant proceeds and compliance with the financial covenants of the grant agreement, and (iv) such other information concerning the audit requested. The independent auditors will be engaged and financed by the Government or EAs.

### **Project Performance and Monitoring**

24. The PMO will establish a project performance monitoring system after the commencement of the Investment Program and collect data for performance monitoring. The key indicators and assumptions outlined at the impact and outcome levels in the Investment Program's DMF will be the primary data required for analysis. ADB Management will prepare periodic reports to inform the ADB Board of Directors of overall progress. A Board information report will be submitted annually, and progress reports will be submitted to inform the Board of the approval of grant agreements.

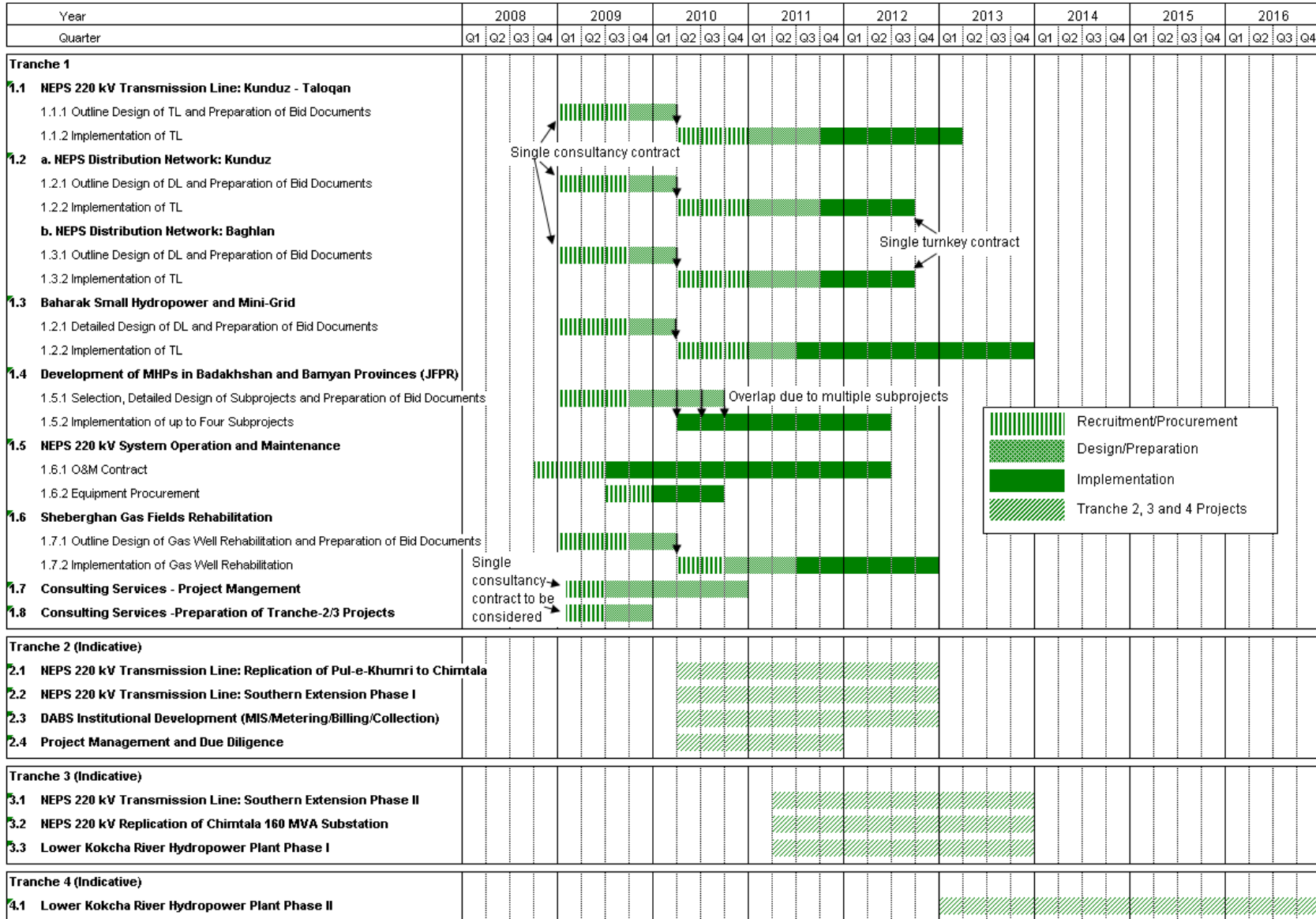
### **Project Review**

25. ADB will field an inception mission within 3 months after signing of the FFA and grant agreement for Tranche 1. The mission will develop a facility administration manual (FAM) and a project administration manual (PAM). The Government will cause the EAs, through the PMO Director, to submit to ADB quarterly progress reports within 2 weeks of the subject quarter, and semiannual performance and monitoring reports. ADB will review quarterly and semiannual reports during its annual reviews. A joint mid-term review will be carried out 2 years after loan effectiveness. The mid-term review will focus on the engineering, environmental and social safeguards of the projects, compliance to loan covenants, and review compliance with the undertakings set out in the FFA. The review will allow for any necessary mid-course corrections to ensure successful implementation and the achievement of objectives of the Investment Program and the projects. A project completion report will be submitted by the EAs within 3 months of the completion of each project under their review.

26. ADB's Afghanistan Resident Mission in Kabul will monitor the Investment Program in a joint venture with the teams at headquarters. Staff will be deployed to Kabul as and when it is necessary. A fuller review will be carried out 1 year after loan effectiveness. Every year an annual report of the Investment Program will be produced. The review report will cover issues related to each of the components. It will report on inputs and outputs and start generating information for the outcome and impact indicators of the DMF. All compliance matters will be covered under the review, including warranties and representations, covenants and adherence to ADB policies and procedures. These undertakings are set out in the FFA and loan agreement. These reviews will allow for any necessary correction to ensure successful implementation and the achievement of objectives. The Project Performance Report will be updated every month and reported to the front office within CWRD.

27. The midterm review will focus on the engineering, environmental and social safeguards of the projects; compliance with loan covenants; and review compliance with the undertaking set out in the FFA. The reviews will allow for any necessary midcourse corrections to ensure successful implementation and the achievement of objectives of the Investment Program and the projects. A project completion report will be submitted by the EAs within 3 months of the completion of the respective projects

**ANNEX 1: INDICATIVE IMPLEMENTATIONS SCHEDULE OF INVESTMENT PROGRAM FOR ALL TRANCHE-1 SUBPROJECTS**



DL: Distribution Line; HPP: Hydropower Plant; MHP: Mini Hydropower; MTA: Management and Technical Assistance; O&M: Operations and Maintenance; TL: Transmission Line

## Annex 2: Procurement Plan

MFF-AFG: Energy Sector Development Investment Program,	Grant Number: 42094-01
Amount: \$582 million Each Tranche No Less than \$50 million	Executing Agency: Da Afghanistan Breshna Sherkat (DABS) and Ministry of Mines (MOM)
Date of first Procurement Plan ( <i>grant approval date</i> ) _____	Date of this Procurement Plan: <u>17 October 2008</u>

### Section 1. Process Thresholds, Review, and 18 Month Procurement Plan

#### A. Project Procurement Thresholds

a. Except as ADB may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
International Competitive Bidding for Works	> US\$ 2,000,000
International Competitive Bidding for Goods	> US\$ 500,000
National Competitive Bidding for Works	Beneath that stated for ICB
National Competitive Bidding for Goods	Beneath that stated for ICB
Shopping for Works	</= US\$ 100,000
Shopping for Goods	</= US\$ 100,000

#### B. ADB Prior or Post Review

2. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement of Goods and Works		
Procurement Method	Prior or Post	Comments
ICB Works	Prior	
ICB Goods	Prior	
NCB Works	First use, Prior	
NCB Goods	First use, Prior	
Shopping for Works	Post	
Shopping for Goods	Post	
Direct Contracting	Prior	

Recruitment of Consulting Firms		
Quality and Cost Based Selection (QCBS)	Prior	
Quality Based Selection (QBS)	Prior	
Other selection methods: Consultants Qualifications (CQS), Least Cost Selection (LCS), Fixed Budget (FBS), and Single Source (SSS)	Prior	
Recruitment of Individual Consultants		
Individual Consultants	Prior	

### C. Goods and Works Contracts Estimated to Cost More Than US\$ 1 Million

3. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description		Contract Value (\$ million)	Procurement Method	Prequalification Of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
220 kV Transmission Line between Kunduz and Taloqan		20.0	ICB	Y	Q3 2009	
Distribution Network – Baghlan and Kunduz		22.2	ICB	Y	Q3 2009	
Baharak Hydropower Plant and Mini-Grid Development	Civil Works	2.0	NCB	N	Q3 2009	
	Electro-mechanical Equipment	3.0	ICB	N	Q3 2009	
	Mini Grid	9.0	NCB	N	Q3 2009	
Development of Mini Hydropower Plants in Badakhshan and Bamyán Provinces (JFPR)	Civil Works	3.9	NCB/ Shopping	N	Q4 2009	Aggregate for up to 4 sites (contracts) per contract type, as identified during phase 1 of implementation. Shopping will be adopted for low value contracts under \$100,000.
	Electro-mechanical Equipment	1.3	ICB/ Shopping	N	Q4 2009	
	Mini Grid	1.3	NCB/ Shopping	N	Q4 2009	
NEPS 200 kV Transmission System Purchase of Equipment and Spare Parts		19.0	ICB	N	Q4 2008	
Gas Production Rehabilitation		21.8	LIB	N	Q3 2009	Specialized scope of works with little interest in AFG by competitive bidders as shown by failed bids under Loan1997-AFG and significant delays experienced by USAID.

Note: Domestic preference is not applicable for any of the contract packages.

#### D. Consulting Services Contracts Estimated to Cost More Than US\$ 100,000

4. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description		Contract Value (\$ million)	Recruitment Method	Advertisement Date (quarter/year)	International or National Assignment	Comments
220 kV Transmission Line between Kunduz and Taloqan and Distribution Network – Baghlan and Kunduz		4.7	QBS (FTP)	Q4 2008	International and National	
Baharak Hydropower Plant and Mini-Grid Development		3.3	QBS (FTP)	Q4 2008	International and National	
Development of Mini Hydropower Plants in Badakhshan and Bamyan Provinces (JFPR)		3.5	QBS (FTP)	Q4 2008	International and National	
NEPS 220 kV Transmission System Operations and Maintenance Management and Technical Assistance (MTA) Contract	O&M MTA	9.0	QBS (FTP)	Q4 2008	International and National	As O&M MTA of 220 kV is a highly specialized expertise, QBS is adopted.
Gas Production Rehabilitation		1.2	SSS (STP)	Q4 2008	International and National	Specialized scope of works with little interest in AFG by competent firms. Consultant has not been selected yet.
Tranche-1 Management Consultants		2.0	QBS (FTP)	Q1 2009	International and National	
Tranche-2 Subprojects Preparation		2.0	QBS (FTP)	Q1 2009	International and National	

FTP = full technical proposal, QBS = quality-based selection, SSS = single source selection, STP = simplified technical proposal.

#### E. Goods and Works Contracts Estimated to Cost Less than US\$ 1 Million and Consulting Services Contracts Less than US\$100,000

5. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (cumulative )	Number of Contracts	Procurement and/or Recruitment Method	Comments
External Monitoring Agency	80,000	1	LCS (BTP)	Indicative
External Auditor	50,000	1	LCS (BTP)	Indicative
Individual Consultant	200,000	5	QBS (BTP) or in accordance with ADB's procedures	Indicative

BTP = biodata technical proposal, LCS = least-cost selection, QBS = quality-based selection.

## Section 2: Program Procurement Plan

### F. Indicative List of Packages Required Under Tranche 1

6. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of Tranche 1. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the Comments section.

#### Indicative Procurement Packages

	Subproject		Contract Type	Procurement Mode	Estimated Value (\$ million)	Remarks
1	220 kV Transmission Line between Kunduz and Taloqan		Turnkey	ICB with PQ	20.0	Contracts 1, 2 and 3 maybe prepared as one package to reduce contract value.
2	Distribution Network -Baghlan		Turnkey	ICB with PQ	22.2	
3	Distribution Network - Kunduz					
-	Implementation Consultants for 1, 2 and 3		Consulting Services	QBS (FTP)	4.7	
4	Baharak Hydropower Plant and Mini-Grid Development	Civil Works	Works	NCB	2.0	
		Electro-mechanical Equipment	Plant	ICB	3.0	
		Mini-Grid	Plant	NCB	9.0	
		Implementation Consultants	Consulting Services	QBS (FTP)	3.3	
5	Development of Mini Hydropower Plants in Badakhshan and Bamyān Provinces (JFPR)	Civil Works	Works	NCB/Shopping	3.9	Aggregate for up to 4 sites (contracts) per contract type, as identified during phase 1 of implementation. Shopping will be adopted for low value contracts under \$100,000.
		Electro-mechanical Equipment	Plant	ICB/Shopping	1.3	
		Mini-Grid	Plant	NCB/Shopping	1.3	
		Implementation Consultants	Consulting Services	QBS (FTP)	3.5	

	<b>Subproject</b>		<b>Contract Type</b>	<b>Procurement Mode</b>	<b>Estimated Value (\$ million)</b>	<b>Remarks</b>
6	NEPS 220 kV Transmission System Operations and Maintenance Management and Technical Assistance (MTA) Contract	Purchase of Equipment and Spare Parts	Goods	ICB	19.0	As O&M MTA of 220 kV is a highly specialized expertise, QBS is adopted. As limited offers of such service is available,
		O&M MTA	Consulting Services	QBS (FTP)	9.0	
7	Gas Production Rehabilitation	Gas Field Rehabilitation	Turnkey	LIB	21.8	Specialized scope of works with little interest in AFG by competitive bidders as shown by failed bids under Loan1997-AFG and significant delays experienced by USAID.
		Implementation Consultants	Consulting Services	SSS (STP)	1.2	
8	Tranche-1 Management Consultants		Consulting Services	QBS (FTP)	2.0	
9	Project Preparation of Tranche-2 Subprojects		Consulting Services	QBS (FTP)	2.0	
10	External Monitoring Agency		Consulting Services	LCS (BTP)	0.08	
11	External Auditor		Consulting Services	LCS (BTP)	0.05	
12	Individual Consultants		Consulting Services	QBS (BTP)	0.2 (cumulative)	EA may recruit in accordance ADB's procedures

AFG = Afghanistan, ICB = international competitive bidding, JFPR=Japan Fund for Poverty Reduction, LCS = least-cost selection, LIB = limited international bidding, MTA= Management and Technical Assistance, NCB = national competitive bidding, NEPS = North East Power System, PQ = Pre-qualification, QBS = quality-based selection, SSS = single source selection, USAID = United States Agency for International Development.

Note 1: Domestic preference is not applicable for any of the contract packages.

Note 2: International and national assignments for all consulting services packages.

### Section 3: NCB Annex Afghanistan

7. **General.** National competitive bidding for the procurement of goods and related services shall conform to the provisions for Open Tender without prequalification as prescribed in the *Procurement Law* of October 2005 and elaborated in the *Rules of Procedure for Public Procurement* issued by the Ministry of Finance in April 2007, with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the ADB Procurement Guidelines.

#### 8. Registration and Other Pre-Bid Requirements

- (a) Bidding shall not be restricted to Shortlists or Standing Lists.

- (b) No bid shall be declared as ineligible on the grounds of debarment without ADB's prior concurrence.
  - (c) No bid shall be declared ineligible on the grounds of government regulations that restrict sources without ADB's prior concurrence.
  - (d) Foreign suppliers and contractors from ADB member countries shall be allowed to bid, without registration, licensing, and other government authorizations. However, in case these foreign suppliers and contractors are declared winning bidders, the requirements may be completed after award and before signing of contract, without unreasonable costs or additional requirements.
9. **Prequalification.** Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan. Irrespective of the procedure applied (whether prequalification or post qualification), no domestic or foreign contractor shall be precluded from participation.
10. If prequalification is undertaken, the prequalification criteria should include "Eligibility Requirements", "Financial Situation", "Pending Litigation", and "Experience". Technical Capacity (personnel and equipment) should not be part of the prequalification criteria.
11. Interested bidders shall be given a minimum period of 28 days for the preparation and submission of prequalification applications.
12. **Advertising.** Bidding of NCB contracts estimated at \$500,000 or more for goods and related services and NCB contracts estimated at \$1,000,000 or more for works shall be advertised on ADB's website via the posting of the Procurement Plan.
13. **Bidding Documents.** Procuring entities shall use standard bidding documents acceptable to ADB, based ideally on the standard bidding documents issued by ADB.
14. **Bidding Period.** Procuring entities shall allow for a minimum of four weeks for submission of bids.
15. **Bid Security.** Where required, bid security shall be in the form of a bank guarantee or check from a reputable bank and should not be more than two percent of the estimated value of contract to be procured.
16. **Preferences.** No preference of any kind shall be given shall be given to domestic bidders or for domestically manufactured goods.
17. **Evaluation.** No bid shall be rejected on the grounds of price, or for any other reason(s) not related to the evaluation and qualification criteria, without ADB's prior concurrence. Prompt payment discounts offered by bidders shall not be considered in bid evaluation.
18. **Price Negotiations.** Price negotiation shall be allowed only after receiving ADB's prior concurrence.
19. **Advance Payments.** No advance payment shall be made without an advance payment security in the form of a bank guarantee or check from a reputable bank.
20. **Government-Owned Enterprises.** Government-owned enterprises in Afghanistan shall be eligible to participate only if they can establish that they are legally and financially

autonomous, operate under commercial law, and are not a dependent agency of the procuring entity, or the Project Executing Agency, or the Implementing Agency.

21. **Right to Inspect/Audit.** A provision shall be included in all NCB works and goods contracts financed by the Bank (ADB) requiring suppliers and contractors to permit ADB to inspect their accounts and records and other documents relating to the bid submission and the performance of the contract, and to have them audited by auditors appointed by ADB.

22. **Anti-Corruption Policy**

- (i) The Borrower shall reject a proposal for award if it determines that the bidder recommended for award has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for the contract in question; and
- (ii) ADB will declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by ADB, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, ADB-financed contract, as indicated in paragraph 1.14 (a) of ADB's Procurement Guidelines.

23. **Disclosure of Decision on Contract Awards.** At the same time that notification of award of Contract is given to the successful bidder, the results of bid evaluation shall be published in a local newspaper, or well-known freely accessible website identifying the bid and lot numbers and providing information on (i) name of each bidder who submitted a Bid, (ii) bid prices as read out at bid opening, (iii) name of bidders whose bids were rejected and the reasons for their rejection, and (iv) name of the winning bidder, and the price it offered, as well as duration and summary scope of the contract awarded. The executing agency/implementing agency/contracting authority shall respond in writing to unsuccessful bidders who seek explanations on the grounds on which their bids are not selected.

24. **Member Country Restriction.** Bidders must be nationals of member countries of ADB, and offered goods, works, and related services must be produced in and supplied from member.

## SCHEDULE 4

### SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECT COMPONENTS AND SUBCOMPONENTS

#### I. Introduction

1. The Afghanistan Electricity Corporation [Da Afghanistan Breshna Sherkat (DABS)] and Ministry of Mines (MOM) will be responsible for the selection and appraisal of energy sectors (herein after called subprojects) to be improved under a project (Project) financed from grant provided from the multitranche financing facility (Facility) for the Energy Sector Development Investment Program (the Investment Program). Staff and consultants of the Program Management Office (PMO) will assist DABS prepare the Periodic Financing Requests (PFRs) and supporting documents for submission to the Ministry of Finance (MOF), which will submit to ADB and agree on the financing terms.

#### II. Selection Process

2. The following steps will be followed in the selection of energy sectors, or parts thereof, for financing from the Facility:

- (i) In consultation with relevant ministries, national and provincial agencies, and ADB, DABS and/or MOM will carry out an annual review, and if necessary revise, priority energy sectors and prepare (or update) a medium term program; and
- (ii) The PMO will ensure that they meet the criteria outlined below, and prepare a summary appraisal report (in the format outlined in the FAM) and a draft PFR for funding from the Facility for repairing, rehabilitating, reconstructing or constructing energy sectors (physical investments) as well as necessary capacity development and institutional reforms (non-physical investments)

#### III. Eligibility Criteria

##### 1. Infrastructure Improvement

3. To be eligible for financing from the Facility under this component, the energy sector infrastructure or part thereof:

- (i) must have the objective to attain the goals set forth in the Afghanistan National Development Strategy (2008) for construction or improvement. Preference will be given, when selecting, to the highest-ranking energy sectors. The list and rankings will be updated annually by the Planning Unit of DABS and/or MOM so that priorities can be revised with due regard to the condition of the network, energy sectors improved outside of DABS and/or MOM 's program, or changes in development or strategic priorities of the government;
- (ii) has been studied and fully designed in accordance with the requirements stipulated in the environmental assessment and review framework (EARF), and the land acquisition and resettlement framework (LARF), and found to be socially, environmentally and economically viable; and
- (iii) has been cleared by the national, provincial, and local government agencies responsible for the environment and technical standards, or approvals could be

obtained in time for the project or the Investment Program implementation schedules to be maintained.

#### **IV. Approval Process**

4. The following sequence will be followed to obtain ADB's approval of periodic financing request:

- (i) DABS and/or MOM, through the Ministry of Finance, will submit the appraisal report and the PFR for review by ADB;
- (ii) ADB will review the proposal and PFR, and suggest, if necessary, revisions to be incorporated by DABS and/or MOM in its final submission;
- (iii) DABS and/or MOM, will ensure that the PFR is modified and revised, as required by ADB, and submit to ADB through the Ministry of Finance for presentation for approval to ADB's management.

#### **V. Monitoring During Implementation**

5. DABS and/or MOM, with the assistance of the construction supervision consultants, will ensure the adherence of projects to guidelines, policies, and other requirements of ADB, and monitor impacts throughout implementation.

## SCHEDULE 5

### SOCIAL DIMENSIONS AND SAFEGUARD REQUIREMENTS

1. Afghanistan will ensure that all the requirements prescribed in this Schedule, and the following safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which ADB has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the projects under the Facility.

- (i) environmental assessment and review framework (EARF), dated July 2008,
- (ii) land acquisition and resettlement framework (LARF) dated July 2008,
- (iii) environmental monitoring and management plan (EMMP) and LARP related to the **Baharak Hydropower Plant and Mini-Grid Development** dated April 2008 for the first tranche,
- (iv) EMMP and LARP related to the **NEPS Distribution Network: Kunduz** dated October 2008 for the first tranche,
- (v) EMMP and LARP related to the **NEPS Distribution Network: Baghlan** dated October 2008 for the first tranche,
- (vi) EMMP and LARP related to the **Sheberghan Gas Fields Rehabilitation** dated October 2008 for the first tranche, and
- (vii) EMMP and LARP related to the **NEPS 220 kV Transmission Line: Kunduz – Taloqan** dated October 2008 for the first tranche.

2. The frameworks cover the Facility-specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the components or projects likely to be financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) the safeguard criteria that are to be used in selecting components, projects; (iii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iv) the institutional arrangements (including budget and capacity requirements) and the client's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed by DABS and/or MOM and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's safeguard policies, as amended from time to time.

4. In all cases, for each new PFR preparation, the client will renew ongoing projects to check on the status of compliance with the safeguard plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the projects included in the tranche being processes. In any case if major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

## SCHEDULE 6

### Undertakings

Afghanistan undertakes as follows:

The Government and DABS and MOM (EAs) have agreed to the following specific undertakings, in addition to the standard undertakings agreed to in the FFA, which will be incorporated in the legal documents.

**Policy Dialogue.** The Government will keep ADB informed about the Government's policies and projects related to the energy sector that will materially affect the financial viability of each project under the Investment Program, and in particular the power generation and transmission policies, laws and regulations.

**Restructuring.** A separate business unit (other than DABS) will own and operate high-voltage (110kV and above) power transmission assets and related switchyards and substations by January 2013 (hereinafter called "TransCo"). A regulatory performance-based contract for TransCo will be developed and approved by MEW within 3 years.

**Tariff.** The tariff formulated for TransCo will be adequate to cover its operating costs, maintenance, depreciation, and financing cost, and to allow an acceptable return on the equity of DABS. Afghanistan will ensure that such tariff is effective by January 2013. The Government will ensure that DABS and TransCo have adequate legal powers and enforcement mechanisms to effectively collect service fees and penalize defaulters in order to improve the collection efficiency, deter non-payment and ensure sustainability of DABS and TransCo's operations.

**Interconnection.** Prior to interconnection of the project assets financed under the Facility with the Central Asian Power System (CAPS), TransCo will have adopted GOST 13109-97 (grid code) as such is applicable to operation and maintenance of high-voltage power transmission assets within CAPS. No interconnection with power producers that involves cross-border power transmission will occur until after a long-term power purchase agreement on terms and conditions commercially viable for DABS is signed by respective parties.

**Project Selection Criteria.** All projects proposed for financing under the Facility are selected in accordance with the agreed criteria set out in the FFA, which adhere to the relevant requirements of the power transmission investment plan and other applicable guidelines for project implementation. DABS will monitor the implementation of projects through to their completion of each project.

**Capacity Development.** The Government will ensure that key managerial positions on projects financed under the Facility are competitively selected and remunerated, free and clear of any restrictions applicable to Afghanistan's public servants.

**Auditing and Accounting.** The EAs will ensure that separate project

accounts and records are maintained in a timely manner to adequately identify the use of tranche proceeds in such a manner and details as may be specified in each financing agreement for relevant tranche. Audited financial reports of Facility-financed activities will be submitted to ADB within 6 months of fiscal year end.

**Financial Governance.** The EAs will ensure that its internal controls are in accordance with the National Accounting Standards and an independent and autonomous internal audit department will be set up within DABS. DABS financial statements shall be audited annually in accordance with International Financial Reporting Standards by an external auditor acceptable to ADB.

**Environment.** The EAs will ensure that (i) the projects are designed, constructed, and operated in accordance with national and local environmental procedures and guidelines and with the Environment Policy (ii) the projects are designed, constructed, and operated in accordance with the EMPs as reflected in the IEEs and EARF; (iii) the EMMPs will be incorporated in bidding documents and civil work contracts and implemented; and (iv) environmental performance reports will be submitted to ADB twice annually during the construction period, including progress made on the mitigation measures, monitoring data, problems encountered, enforcement plan, and any violations.

**Land Acquisition and Resettlement.** The EAs will ensure that the design, implementation and operation of the Investment Program are carried out in accordance with the IR Policy, applicable Government's law and regulations, and the agreed LARF. In the preparation and implementation of projects or subprojects under Tranche 1 and following tranches the EAs ensures that: (i) all land and rights of way required by the relevant projects or subprojects are made available in a timely manner; (ii) traditional (non-turnkey) construction contract awards are signed only at the condition that LARP approved by ADB is disclosed to the affected people (AP) and implemented; (iii) for all subprojects, independently from contract type, civil works initiation will be allowed only at the condition that ADB provides no objection and that the relevant LARPs are prepared, approved by ADB, disclosed to the APs and implemented; (iv) contractors' activities are in compliance with requirements of the LARPs; and (v) an independent monitor acceptable to ADB is engaged to carry out monitoring and evaluation and report to ADB based on the requirements of the LARPs.

**Execution of Civil Works Contracts.** The EAs will ensure that, subsequent to award of civil works contract under any project, no section or part thereof under the civil works contract will be handed over to the contractor unless the applicable provisions of the LARF and LARPs, including in particular the timely delivery of compensation to affected families, IPDF and IPDPs, and the EARF/EMMPs have been complied with. Any changes to the location, route, alignment, or environment impacts on account of detailed designs of related projects will be subject to prior approval by ADB or related agency in accordance with the project selection criteria and procedures included in the FFA. Prior to the commencement of

work, an accredited demining agency must have certified that the relevant construction site(s) has been cleared.

**Social Impacts.**

- (i) Gender. The EAs will follow the principles of the ADB's policy on gender and development during each project implementation, including taking all necessary actions to encourage women living in the project area to participate in planning and implementing project activities. The EAs will monitor the project effects on women during each project implementation, through, where relevant, gender-disaggregated data collected pursuant to the monitoring and evaluation system referred to in the project performance monitoring system.
- (ii) Sexually Transmitted Diseases. With the assistance of the relevant local authorities, the EAs will cause contractors to distribute information on the risks of sexually transmitted diseases to those employed during each project construction.
- (iii) Women and Child Labor. The EAs will ensure that (i) there is no differential payment between men and women for work of equal value, and (ii) civil works contractors do not employ child labor in the construction and maintenance activities in accordance with applicable laws and regulations and international conventions.

**Security.** The Government will ensure that its armed forces and police provide in project areas protection required for smooth and uninterrupted implementation of each project financed under the Facility. In addition, it is required that service and works providers in each project submit security plans and budgets that would ensure uninterrupted implementation of their respective project activities, and include them as part of the contracts and contract price.

**Corporate Governance.** The Government will ensure that no person serving on the board of DABS, TransCo, an electricity distribution company, or a power generation company is concurrently a board member of any other entity.

**Anticorruption.** Afghanistan will comply, and will ensure that the EAs complies, with ADB's *Anticorruption Policy* (1998, as amended to date). Afghanistan, consistent with its commitment to good governance, accountability and transparency, acknowledges and agrees (a) that ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to any project financed under the Facility and (b) to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation. In particular, the Government will (c) conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements, (d) ensure that all contracts financed by ADB in connection with the Facility include

provisions specifying the right of ADB to audit and examine the records and accounts of all contractors, suppliers, consultants and other service providers as they relate to the Facility, and (e) the construction supervision consultant shall verify the contractors' invoices in accordance with working drawings and contract specifications.