



Asian Development Bank

Central and West Asia Department

23 November 2006

Dr. Anwar ul-Haq Ahady
Minister
Ministry of Finance
Pashtonistan Watt
Kabul, Afghanistan

Subject: **Loan 2227– AFG (SF) and Grant 0033-AFG(SF) – Western Basins Water Resources Management Project Amendments to the Financing Agreement**

Dear Dr. Anwar ul-Haq Ahady

1. We refer to the Financing Agreement for the Western Basins Water Resources Management Project dated 9 March 2006 between the Islamic Republic of Afghanistan (the Beneficiary) and the Asian Development Bank (ADB) that became effective on 31 May 2006. On 25 August 2006, the Board of Directors of ADB approved major change in Project implementation arrangements due to the provision of grant financing for the Project in an amount equivalent to US\$13.2 million from the Government of Canada. As a result, ADB cancelled the Loan in the amount of Special Drawing Rights (SDR) 8,873,233.76 effective 25 August 2006, thereby reducing the Loan amount to SDR 33,572,766.24.
2. To reflect this major change in the Project implementation arrangements, we now propose the amendments to the Financing Agreement as set forth in the attached Appendix. Please indicate the agreement of the Beneficiary to the proposed amendments by counter-signing two originals of this letter, as indicated below. Please return one copy of the counter-signed letter to my attention. The Financing Agreement shall be considered amended in accordance with this letter, as of the date of the receipt of the signed counterpart of this letter by ADB.
3. Please be advised that according to the ADB's Public Communications Policy (PCP) on disclosure and exchange of information, any amendments to the Financing Agreement

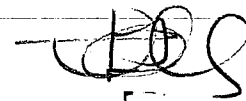
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will automatically be publicly disclosed within 2 weeks after their effectiveness, unless ADB is advised by return mail that the amendments contain any information or data of a sensitive or confidential nature falling under the PCP exceptions.

Very truly yours,

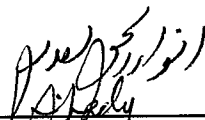


Juan Miranda
Director General
Central and West Asia Department

Confirmed:

ISLAMIC REPUBLIC OF AFGHANISTAN

By:


Dr. Anwar-ul-Haq Ahady
Minister
Ministry of Finance

Date:

Dec - 14, 2006

Amendments to the Financing Agreement

1. Recitals on page 1 shall be revised to read as follows:

"WHEREAS

(A) the Beneficiary has applied to ADB for a loan and a grant for the purposes of the Project described in Schedule 1 to this Financing Agreement (hereinafter called the Project);

(B) the Beneficiary has also applied to the Government of Canada for grant financing for the purpose of carrying out the Project, and the Government of Canada has agreed to provide to the Beneficiary the grant in the amount equivalent to thirteen million two hundred thousand Dollars (\$13,200,000); and

(C) ADB has agreed to provide financing by making a loan and a grant to the Beneficiary from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;"

2. Section 2.01 (a) shall be revised to read as follows:

"ADB agrees to lend to the Beneficiary from ADB's Special Funds resources an amount in various currencies equivalent to thirty three million five hundred seventy two thousand seven hundred sixty six point twenty four Special Drawing Rights (SDR33,572,766.24) (hereinafter called the Loan); and."

3. Paragraph 5 of Schedule 3A shall be revised to read as follows:

"Interest Charge

5. The amount allocated to Category 6 is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Beneficiary, the amounts required to meet payments, when due, of such interest charge."

4. The Allocation and Withdrawal of Loan Proceeds table, the attachment to Schedule 3A, shall be replaced with the following table:

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
(Western Basins Water Resources Management Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Basis for Withdrawal from the Loan Account
		SDR Category	Subcategory	
1	Civil Works	24,205,000.00		
1A	Rehabilitation & Upgrade		23,433,000.00	100 percent of total expenditure*
1B	Project Offices		772,000.00	100 percent of total expenditure*
2	Vehicle & Machinery	2,035,000.00		81 percent of total expenditure
3	Project Equipment	912,000.00		100 percent of total expenditure*
4	Consulting Services	36,766.24		67 percent of total expenditure
5	Project Implementation	4,280,000.00		70 percent of total expenditure
6	Interest Charge	1,333,000.00		100 percent of amounts due
7	Unallocated	771,000.00		
	Total	33,572,766.24		

* Exclusive of local taxes