
GRANT NUMBER 0170-AFG (EF)

GRANT AGREEMENT
(Externally Financed)

(Water Resources Development Investment Program – Tranche 1)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

ASIAN DEVELOPMENT BANK

DATED 11 NOVEMBER 2009

GEF:AFG 42091

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 11 November 2009 between ISLAMIC REPUBLIC OF AFGHANISTAN (hereinafter called the "Recipient") and ASIAN DEVELOPMENT BANK (hereinafter called as "ADB").

WHEREAS

(A) the Recipient and ADB have entered into a Framework Financing Agreement, dated 18 August 2009, (hereinafter called the "FFA") for the purposes of assisting the Recipient in financing projects under a Water Resources Development Investment Program (hereinafter called the "Investment Program") through a multitranche financing facility to be provided by ADB;

(B) by a periodic financing request dated 18 August 2009 (hereinafter called the "PFR") submitted by the Recipient pursuant to the FFA, the Recipient has applied to ADB for, and ADB has agreed to provide from ADB's Special Funds resources upon the terms and conditions set forth in a Grant Agreement (Special Operations) of even date herewith between the Recipient and ADB (hereinafter called the "ADB Grant Agreement"), a grant for the purposes of financing the project described in Schedule 1 to the ADB Grant Agreement;

(C) the Recipient has also applied to the Government of the United Kingdom for a grant (hereinafter called the "UK Grant") to finance the project described in Schedule 1 to this Grant Agreement (hereinafter called the "Project"); and

(D) the UK Grant, when approved, will be provided to the Recipient through ADB upon the terms and conditions hereinafter set forth.

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 (the "EF Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Where applicable or unless the context requires otherwise, all definitions set forth in the EF Grant Regulations are applicable to this Grant Agreement. In addition, the following terms shall have the meanings respectively defined below:

(a) "Consulting Guidelines" means ADB's *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* dated February 2007, as amended from time to time;

(b) "Loan Disbursement Handbook" means ADB's *Loan Disbursement Handbook* dated January 2007, as amended from time to time;

(c) "MOF" means the Ministry of Finance of the Recipient, and any successor thereto; and

(d) "Project Executing Agency" for the purposes of, and within the meaning of, the EF Grant Regulations means MOF, which is responsible for the overall implementation of the Project.

ARTICLE II

Administration of the UK Grant

Section 2.01. Subject to the terms and conditions set forth in this Grant Agreement, ADB shall make available to the Recipient on a grant basis the UK Grant provided by the Government of United Kingdom in the amount equivalent to three million three hundred thousand Dollars (\$3,300,000).

Section 2.02. Notwithstanding any other provision of this Grant Agreement, ADB is not obligated to make any disbursement to the Recipient from the Grant Account, except to the extent that ADB has received the corresponding amount of the UK Grant from the Government of United Kingdom.

ARTICLE III

Use of the UK Grant Proceeds

Section 3.01. The Recipient shall cause the proceeds of the UK Grant to be exclusively applied to the financing of consulting services expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. Except as ADB may otherwise agree, for any and all amount of the consulting services expenditures incurred under the Project, the related disbursement shall be made on the basis of one hundred (100) percent of such amount incurred in accordance with the Loan Disbursement Handbook and but shall exclude relevant taxes and duties imposed by the Recipient concerning such expenditures, all in accordance with the Loan Disbursement Handbook.

Section 3.03. Except as ADB may otherwise agree, all consulting services to be financed out of the proceeds of the UK Grant shall be procured in accordance with the provisions of Schedule 2 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of consulting services shall be made only on account of expenditures relating to

(a) consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and

(b) consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the EF Grant Regulations shall be 30 June 2015 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Recipient shall: (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the UK Grant proceeds and compliance with the financial covenants of this Grant Agreement), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project as well as any relevant records and documents.

ARTICLE V

Suspension and Cancellation

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the EF Grant Regulations or cancellation of the UK Grant pursuant to Section 8.02 of the EF Grant Regulations: the Recipient shall have failed to perform any of its obligations under the ADB Grant Agreement.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the EF Grant Regulations: the ADB Grant Agreement shall have been duly executed and delivered on behalf of, and shall have become legally binding upon, the Recipient, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Grant Agreement, shall have been fulfilled.

Section 6.02. A date thirty (30) days after the date of this Grant Agreement is specified for the effectiveness of the EF Grant Agreement for the purposes of Section 9.04 of the EF Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the EF Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the EF Grant Regulations:

For the Recipient

Ministry of Finance
Pashtonistan Watt, Kabul
Afghanistan

Facsimile Number:

+93 202 103 258

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2428

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

ISLAMIC REPUBLIC OF
AFGHANISTAN

By 
Omar Zakhilwal
Minister of Finance

ASIAN DEVELOPMENT BANK

By 
Craig M. Steffensen
Country Director
Afghanistan Resident Mission

SCHEDULE 1

Description of the Project

1. The Investment Program is expected to increase the productivity of irrigated agriculture by improving water resources management through infrastructure development, capacity building, and institutional strengthening.
2. As a part of the Investment Program, the Project is to assist the Recipient in preparing a master plan for developing the Helmand Basin located in the territory of the Recipient.
3. The Project is expected to be completed by 31 December 2014.

SCHEDULE 2**Provisions on Consulting Services****A. General**

1. All consulting services to be financed out of the proceeds of the UK Grant shall be subject to and governed by the Consulting Guidelines.
2. All terms used and not otherwise defined in this Grant Agreement shall have the meanings provided for in the Consulting Guidelines.

B. Selection of Consulting Services

3. Except as ADB may otherwise agree, in addition to the Quality- and Cost-Based Selection method, the Recipient shall have the option to apply the Quality-Based Selection method for selecting and engaging the consulting services needed for the Project.

C. Industrial or Intellectual Property Rights

4. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Selection Decisions

5. All contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB.