

FRAMEWORK FINANCING AGREEMENT
(AFG: Transport Network Development Investment Program)

DRAFT

Parties This Framework Financing Agreement (“FFA”) dated 3 August 2011 is between the Islamic Republic of Afghanistan (“Afghanistan”), and Asian Development Bank (“ADB”).

Investment Program Afghanistan is committed to and will implement the transport infrastructure improvement and institutional development component (the “Transport Sector Strategy”) of the Afghanistan National Development Strategy (“ANDS”), of which the Transport Network Development Investment Program (the “Investment Program”) is an integral part. The Investment Program comprises:

(a) a transport infrastructure development component to construct, re-construct, repair and rehabilitate priority national and regional roads and railways identified in the Transport Sector Strategy and provide operation and maintenance support to, and construct additional operational facilities for, the recently completed Hairatan to Mazar-e-Sharif railway line; and

(b) a transport network management capacity development component to support a range of activities to improve governance and planning of the broader transport sector and build the institutional capacity of the Ministry of Public Works (“MPW”).

The Transport Sector Strategy and the Investment Program are described in Schedule 1 hereto.

The total cost of implementing the Transport Sector Strategy over the period 2010 to 2014, is expected to be \$3.7 billion equivalent with substantial additional resources required to meet longer term ANDS goals by 2020. The total cost of the Investment Program, over the period from 2011 to 2017 is expected to be \$805 million equivalent.

Multitranche Financing Facility The Multitranche Financing Facility (the “Facility”) is intended to finance projects under the Investment Program (“Projects”) provided that such Projects meet the criteria set out in Schedule 4 hereto.

The Projects intended to be financed include: (a) construction, re-construction, repair and rehabilitation of priority national and regional roads and railways; (b) operation and maintenance support, equipment, and additional civil works to upgrade and extend the marshalling yard including freight warehouse, rolling stock maintenance depot and ancillary facilities for the Hairatan to Mazar-e-Sharif railway¹; (c) a transport sector governance needs assessment and development of a National Transport Plan (including

¹ Grant No.0161-AFG(SF): Hairatan to Mazar-e-Sharif Railway Project

a national railway sub-sector plan); (d) development of new road and railway sector regulatory authorities; (e) feasibility and design studies for a new Mazar-e-Sharif to Andkhoy rail link and capacity building for railway operation and maintenance; (f) capacity and institutional development for MPW; and (g) Investment Program and project implementation support for MPW including procurement, construction and contract supervision, safeguard implementation and feasibility studies for, and preparation of tranches of the Facility. If requested by Afghanistan and approved by ADB, the Facility may also be utilized to provide additional financing to other ongoing ADB interventions in the transport sector.

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 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 the Investment Program is summarized below.

Financing Source	Amount (\$ million)	% of Total
Government	18.0	2.2
Afghanistan Infrastructure Trust Fund ^a	33.0	4.1
Asian Development Bank ^b	754.0	93.7
Total	805.0	100.0

^a Contributors: the governments of Japan and the United Kingdom. Amount is inclusive of fees and charges for administration of the grant by ADB.

^b Opportunities for additional AITF cofinancing will be explored with donors and the government. Any additional resources made available from the Afghanistan Infrastructure Trust Fund (AITF) will reduce the indicated ADB contribution by the amount of the additional AITF contribution.

Financing Terms

ADB will provide grants or loans to finance Projects as and when they are ready for financing, provided that Afghanistan is in compliance with the understandings hereunder, and the Projects are in line with those same understandings. Each grant or loan will constitute a tranche.

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, capital market conditions, ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche. 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 seven hundred and eighty-seventy million dollars (\$787,000,000). It will be provided in individual tranches in the form of grants² or loans³ from ADB's Special Funds resources (i.e., Asian Development Fund ("ADF"))⁴ and in the form of grants to be administered by ADB from the Afghanistan Infrastructure Trust Fund ("AIF").⁵

Availability Period

The last date on which any disbursement under any tranche may be made will be 31 December 2017. The last financing tranche is expected to be executed no later than 31 December 2014.

Terms and Conditions

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

Execution

The Executing Agency will be MPW. The Executing Agency will implement the Investment Program in accordance with the principles set forth in Schedule 1 to this Agreement, as supplemented in the legal agreements for each tranche.

Periodic Financing Requests

Afghanistan may request, and ADB may agree, to provide grants and/or loans under the Facility to finance Projects upon the submission of a Periodic Financing Request ("PFR"). Each PFR should be prepared and submitted by MPW. Afghanistan will make available to MPW the proceeds of the tranche in accordance with the related PFR, and the legal agreements for the tranche.

² Provisions of the Special Operations Grant Regulations applicable to Grants made by ADB from its Special Funds Resources, dated 7 February 2005, would apply to each Grant, subject, to modifications, if any, that may be included under any Grant Agreement.

³ Provisions 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 Loan, subject to modifications, if any, that may be included under any Loan Agreement.

⁴ Subject to the availability and allocation of Asian Development Fund resources under applicable ADB policies from time to time. See note b to the Financing Plan Table above.

⁵ Provisions of the Externally Financed Grant Regulations applicable to Grants made by ADB from external cofinancing sources administered by ADB dated 8 April 2009, would apply to each such Grant, subject to modifications, if any, that may be included under any Grant Agreement.

ADB will review the PFRs and, if found satisfactory, prepare related legal agreements.

Projects will be subject to selection criteria set out in Schedule 4 hereto, satisfactory due diligence, and preparation of relevant safeguard and fiduciary frameworks and other documents. The Facility will be implemented in accordance with the general framework set out in Schedule 3 to this FFA, and the Facility Administration Manual (“FAM”) agreed between Afghanistan and ADB.

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

**General
Implementation
Framework
Procedures**

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

Tranches to be provided under the Facility will be subject to following procedures and undertakings:

- (a) Afghanistan will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.
- (b) Afghanistan will have submitted a PFR in the format agreed with ADB.
- (c) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche.
- (d) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

**PFR
information**

The PFR will substantially be in the form attached hereto, and will contain the following details:

- (a) the Grant, Loan and/or cofinancing amount;
- (b) description of the Projects to be financed;
- (c) cost estimates and financing plan;
- (d) implementation arrangements specific to the Projects;
- (e) confirmation of the continuing validity of and adherence to the understandings in this FFA;
- (f) confirmation of compliance with the provisions under previous legal agreements; and
- (g) other information as may be required under the FAM, or reasonably requested by ADB.

Safeguards

Attached as Schedule 5 are references to the Safeguard Frameworks that will be compiled with during implementation of the Facility.

ADB’s Safeguard Policies in effect as of the date of signing of legal agreements for a tranche will be applied with respect to the Projects financed under such financing tranche.

Procurement

All goods and works to be financed under the Facility will be procured in accordance with ADB’s *Procurement Guidelines* (2010, as amended from time to time).

- Consulting Services** All consulting services to be financed under the Facility will be procured in accordance with the *Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers* (2010, as amended from time to time).
- Advance contracting; Retroactive financing** Under each tranche ADB may, subject to its policies and procedures, allow on request (a) advance contracting of civil works, operation and maintenance services, consulting services and goods and (b) retroactive financing for eligible expenditures for civil works, consulting services and goods up to 20% of the proposed individual grant or loan, incurred prior to grant or loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement.⁶ Afghanistan acknowledges that any approval of advance contracting and/or retroactive financing does not commit 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).
- Monitoring, Evaluation, and Reporting Arrangements** Within 6 months of the effective date of the loan or grant agreement for each tranche under the Facility, the MPW will establish a Project Performance Monitoring System (PPMS) in a form and substance acceptable to ADB and collect baseline data for project performance indicators agreed between ADB and MPW. The PPMS will be based on the performance indicators described in the Design and Monitoring Framework (DMF) for the tranche, as set forth in the PFR for that tranche. Schedule 2 hereto sets out the DMF for the Investment Program. Details on the monitoring, evaluation and reporting arrangements for each project financed and the Investment Program are set out in Schedule 3 attached hereto.
- Undertakings** Schedule 6 hereto sets out the undertakings provided by Afghanistan in relation to the Facility.

AFGHANISTAN

ASIAN DEVELOPMENT BANK

By _____
 Mohammad Mustafa Mastoor
 Deputy Minister of Finance

By _____
 Sean M. O'Sullivan
 Deputy Director General
 Central and West Asia Department

- Schedule 1: Facility Constituents
- Schedule 2: Design and Monitoring Framework for the Facility
- Schedule 3: Implementation Framework
- Schedule 4: Selection Criteria and Approval Framework
- Schedule 5: Social Dimensions and Safeguard Requirements
- Schedule 6: Undertakings

⁶ In the case of the portion of the first tranche funded by ADF, the eligible expenditures may be incurred not earlier than 18 months before the date of signing of the related legal agreement.

SCHEDULE 1

MFF CONSTITUENTS

I. Roadmap

1. Launched in 2008, the government's Afghanistan National Development Strategy (ANDS) is a Millennium Development Goals (MDGs) based action plan and for developing the country over the 2008–2020 period.⁷ As described in Pillar 3, Infrastructure, the Transport and Civil Aviation Sector Strategy proposes a safe, integrated transport network that ensures domestic and international connectivity by moving people and goods reliably and at low cost.⁸ In addition to a long list of infrastructure needs in all the transport subsectors, ANDS provides a planning and policy framework, specific development targets and dates for achievement, and an overall strategic vision to guide investment and reforms in the transport sector until 2020.

2. In 2010, ANDS was refined and updated with a more specific list of priority programs and projects in the form a Prioritization and Implementation Plan (PIP). ANDS–PIP provides a more detailed results-based structure of programs and components of how a new government cluster coordination mechanism will support bringing about targeted focused results.⁹ A driving factor in the ANDS–PIP is readiness for the Transition Process. The 2011–2014 Transition Process agreed between the Government and the international community envisages that Afghanistan will assume the lead role in all aspects of governance, development, and peace.¹⁰ For the transition to be sustainable, in addition to political and military processes, it requires a development support package, which will reinforce the social contract between Government and its citizens. Rapid restoration of essential services and vital infrastructure assists in the perception of a return to normality and contributes to an irreversible transition process.

3. As means to map out the process in each of the different clusters and assign performance indicators and targets, ANDS–PIP identifies National Priority Programs. Within the one such identified program in the Economic and Infrastructure Development Cluster is Program 1: National Regional Integrated Resources Corridor Initiative (NRIRCI). This flagship transport oriented program focuses on developing the critical infrastructure needed to reap benefits directly from large scale, environmentally friendly exploitation Afghanistan's mineral resources and indirectly from increased trade flows and labor mobility. The program aims to deliver shared-use road, rail, aviation, power and water systems in order to, inter alia, establish Afghanistan as a strategic land bridge that connects the East to the Middle East through to Western Europe and to Central and South Asia. If successful, it will drive a surge in national revenues, which would pave the way for discretionary finance to support nationally driven development objectives.

4. NRIRCI proposes rehabilitation and upgrading of Afghanistan's national and regional trade links with Pakistan, Iran, Tajikistan, Turkmenistan, and more broadly with the People's Republic of China and Central Asia. The general concept is for restoration and further development of a multimodal transport network connecting natural resources, local production

⁷ Islamic Republic of Afghanistan (2008). *Transport and Civil Aviation Strategy 1387–1391 (2007/08–2012/13), Pillar III, Infrastructure, Afghanistan National Development Strategy.*

⁸ Hereinafter, the Transport and Civil Aviation Sector Strategy is referred to as the Transport Sector Strategy.

⁹ Islamic Republic of Afghanistan (2010). *Afghanistan National Development Strategy, Prioritization and Implementation Plan Mid 2010 - Mid 2013, Volumes 1 & 2.*

¹⁰ These three roles are closely aligned with the identified ANDS-PIP clusters of: governance, socio-economic development, and security, respectively.

points, and urban centers with markets abroad. Building on the selection criteria used in ANDS-PIP, NRIRCI assesses priorities based:

- Inherent economic potential from natural resources (minerals and hydrocarbons) along and adjacent to a corridor (direct and indirect impact);
- Regional integration potential and stimulation of local and cross-border trade;
- Infrastructure constraints to the realization of the economic potential from natural resources (minerals and hydrocarbons);
- Potential for micro and small and medium enterprise (SME) development;
- Impact on poverty alleviation, especially among disadvantaged communities;
- Connectivity to social centers, remote communities with much-needed humanitarian aid and basic public services;
- Economic impact (cost of the project versus time and fuel savings);
- Initial request (upgrading or complementary to previously completed project);
- Potential impact on improved security and stability; and
- Environment impacts.

5. NRIRCI realizes the needs for institutional reform in the transport sector with a particular emphasis on sector-based planning, interagency coordination, and a focus to operations and maintenance (O&M). NRIRCI suggests that the Government should be prepared to largely shoulder the O&M costs for the transport sector by the end of 2013. In order to do, the Government has proposed the following:

- Establishment of an initially semi-autonomous Road Authority for management of construction and maintenance of highways, primary and secondary roads.
- Establishment of a National Road Fund.
- Contracting routine and urgent maintenance to the private sector.
- Introduce fuel excise duties on fuel imports to ensure regular funding for maintenance.
- Establishment of an independent Afghanistan Rail Authority.
- Drafting and endorsement of a blueprint for railway sector development in Afghanistan, including clarification of regulatory and operating roles, formulation of a railway legal framework and regulations, and institutional development.
- Establishment of an independent Civil Aviation Authority (CAA).

6. The priority projects and change management efforts included in NRIRCI as well as the institutional, legal, and policy reforms are tightly aligned with the subprojects, outputs, impacts, outcomes of the proposed Investment Program.

7. NRIRCI is a capital intensive program. Financing of the NRIRCI will build on existing systems, such as Government financing, and funding from bilateral and multilateral donor agencies. The Government anticipates that major external investors to fund NRIRCI include the ADB, World Bank, European Union collectively and member states individually, USAID, India, Japan and other resources that can be mobilized. The recently established Afghanistan Infrastructure Trust Fund (AIF), which is managed by the ADB, will be a key mechanism for infrastructure financing set up to address the following constraints to the required infrastructure investment:

- Afghanistan's infrastructure needs exceed the financing capacity of the Government or any single agency funding agency; and

- The challenge of coordination and pooling of resources to key Government priorities through an efficient and effective financing vehicle.

8. All projects supported by AITF will be cofinanced by Asian Development Bank (ADB). The governments of the United Kingdom and Japan were the first donors to contribute to the AITF with GBP35 million and \$20 million, respectively.

9. Based on the selection of priority projects, estimated costs, and commitments to date, the overall budget shortfall for NRIRCI is estimated at approximately \$2.1 billion.

Table A3.1: NRIRCI Budget Summary Table (\$ millions)

Overall Budget for All Components, 2011-2104		2063
All Components Budget	3689	
Existing Funds and Commitments	1626	
Remaining Needs for All Components	2063	
Overall Budget for Road Component - Budget A		823
Road Component Budget	2074	
Existing Funds and Commitments	1251	
Remaining Needs for Road Component	823	
Overall Budget for Rail Component - Budget B		963
Rail Component Budget	1241	
Existing Funds and Commitments	278	
Remaining Needs for Rail Component	963	
Overall Budget for Aviation Component - Budget C		277
Aviation Component Budget	374	
Existing Funds and Commitments	97	
Remaining Needs for Aviation Component	277	

All costs in Feb 2011 prices.

Source: Ministry of Mines, NRIRCI estimates.

10. Realization of these transport sector improvement targets is dependent on several factors: (i) capacity of the Ministry of Public Works (MPW), which is in charge of regional, national and provincial roads;(ii) timely availability of resources (labor, material and financing); (iii) efficiency of passenger and freight transport services; and (iv) the security situation in the country. For these reasons, the Transport Sector Strategy and NRIRCP also calls for key non-

physical investments to improve institutional capacity, sector governance, fiduciary controls and transport network management skills at MPW. Furthermore, these documents collectively call for the creation of a road authority and rail authority.

II. Strategic Context

11. Afghanistan provides access to trade along the North–South Asia and East–West Asia corridors, especially across Central Asia. Its special “center of gravity” role in the Central Asia Regional Economic Cooperation (CAREC) program supports investments in roads, energy, and trade. Of the six identified CAREC corridors, three traverse Afghanistan. Roads connect Afghanistan to the outside world and can connect Asia’s four different regions to each other. Internally, without other suitable transport infrastructure modes, roads connect Afghanistan’s provinces, cities, towns, and villages. Transport sector investments increase the impact of the other two sectors that ADB supports in Afghanistan, namely energy and agriculture, by linking the markets, products, and people.

III. Policy Framework

12. The national transport policy framework presented in the Transport Sector Strategy, and as amended by subsequent refinements, outlines the principles and vision of the transport sector through a holistic approach. Collectively, the strategy and program form the basis for further policy making and reform for all modes of transportation under a unified sector-based approach.

IV. Investment Program

13. The Investment Program is an integral part of the Afghanistan National Development Strategy (ANDS): the country’s overarching strategy for promoting growth, generating wealth, and reducing poverty and vulnerability. The Investment Program comprises two components: (a) a transport infrastructure development component to construct, re-construct, repair and rehabilitate priority national and regional roads identified in the Transport Sector Strategy and provide operation and maintenance support and equipment and construct additional operational facilities for, the recently completed Hairatan to Mazar-e-Sharif railway line; and (b) a transport network management capacity development component to support a range of activities to improve governance and planning of the broader transport sector and build the institutional capacity of the MPW.

14. The financing gap for transport infrastructure construction and maintenance indicates the need to mobilize funds from multilateral and bilateral agencies, and private sector. ADB will provide financial assistance to meet the budget requirements and play catalytic role through management of the AITF and in mobilizing private sector funding by helping the Government create better investment climate through road transport sector reforms.

15. It is expected that the supply of transport infrastructure which will increase network connectivity access to markets and economic opportunities will increase the demand for transport, particularly road transport and improved road traffic operation on the rehabilitated regional highways and national roads. The rehabilitated roads will reduce vehicle operating costs and travel time of the domestic, regional, and transit traffic thereby contributing to the growth of domestic and international trade in the area, promoting regional cooperation with the neighboring countries, and satisfying the requirements of local population in transportation of goods and passengers.

16. The initiative aiming to support transport sector policy reform actions is necessary given that: (i) the current planning framework for the transport sector is inadequate; (ii) some of the actions in the transport sector policy framework have not been met; (iii) sustainable maintenance funding strategy, particularly for roads, has not been developed; and (iv) the transport sector should accommodate new challenges, such as cost recovery principles and the potential role of private sector in road construction, operation, and maintenance. Together with other donors, ADB will focus its key agenda for policy dialogue and continue its dialogue with the Government to secure stable financing sources for sustainable maintenance of infrastructure. By utilizing a multitranche financing facility, ADB acknowledges the need for flexibility and a phased approach. Moreover, given the cost overruns and financing gaps experienced by infrastructure projects in the sector, the approach will also assist to meet these overruns and bridge these gaps through the provision of additional finance where appropriate.

17. The capacity of the existing government agencies in the transport sector remains weak after many years of donor assistance, even though a substantial amount of assistance has been directed towards planning, capacity building and institutional strengthening. ADB will continue supporting the government's effort to enhancing institutions and human resources in the transport sector, namely the road and rail subsectors.

18. In summary, the proposed Investment Program is closely aligned with Afghanistan's observed transport sector deficiencies, the Government's strategies, plans, programs, and initiatives as described by ANDS, ANDS-PIP, and NRIRCI, and will assist in closing the funding gap of the Government's roadmap for transport sector development.

V. Financing Plan

19. The activities defined Transport Sector Strategy and NRIRCP include feasibility studies, new construction of rail links, reconstruction and rehabilitation of priority national and regional roads, proper O&M funding of existing and proposed projects, and institutional development. Collectively, these activities have been estimated to require an investment of about \$3.6 billion over the 2011–2014, of which only about \$1.6 billion is available at present as shown in the Table A3.2 below. The contribution of the proposed Investment Program to needed physical and non-physical components to the sector is \$805 million.

Table A3.2: Sector Financing Plan 2011–2014

Source	Total (\$ million)	Share of Estimated Requirement (%)	Share of Program Requirement (%)
<u>Transport Sector Strategy & NRIRCP</u>			
Asian Development Bank	770	21	-
United States Agency for International Development	135	4	-
JICA / Japan	102	3	-
Iran	155	4	-
Others ¹	178	5	-
Afghanistan (MOF Commitment)	256	7	-
Secured Funding Subtotal	1596	43	-
Funding Gap	2093	57	-
Estimated Total Requirement	3689	100	-
<small>¹ Includes EU, Germany, UAE and generalized multiple donor designation</small>			
<u>Program</u>			
Asian Development Bank	754	20	94
<i>Infrastructure Component</i>	790		98
<i>Capacity Development Component</i>	15		2
Afghanistan Infrastructure Trust Fund	33	<1	4
Afghanistan	18	0	2
Total	805	22	100
<u>Project 1</u>			
Asian Development Bank	189	5	23
<i>Infrastructure Component</i>	163		20
<i>Capacity Development Component</i>	3		<1
<i>Contingencies</i>	29		4
Afghanistan Infrastructure Trust Fund	33	1	4
Afghanistan	10	<1	1
Total	232	6	29

Source: NRIRCP (Ministry of Mines) and Asian Development Bank estimates.

SCHEDULE 2

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Increased trade and jobs</p>	<p>By 2017: Collective value of official trade with neighboring countries of Pakistan and Tajikistan is \$3.5 billion, or twice the estimated value of \$1.7 billion achieved in 2011</p> <p>Mortality rate of children less than 5 years of age decreases by 10% from 190 per 1000 estimated in 2010</p> <p>Mortality rate of women in childbirth decreases by 15% from 1600 per 100,000 estimated in 2010</p> <p>Primary school total enrollment increases by 5% over an estimated level of 4.7 million achieved in 2010</p>	<p>National socioeconomic statistics from the Central Statistics Office</p> <p>ADB's project performance audit report</p> <p>Border facility records</p> <p>National economic data</p>	<p>Assumptions Effective and timely implementation of ANDS and other key ongoing reconstruction and reconciliation programs</p> <p>Continued assistance to complementary interventions from external donors and nongovernment organizations</p> <p>Effective implementation of cross border transport and trade facilitation arrangements between Afghanistan and neighboring countries</p> <p>Risks Deterioration in the security situation</p>
<p>Outcome Increased movement of goods and services and better connectivity for people and businesses</p>	<p>By 2017: Increased connectivity: Percent of project areas connected to the regional highway network by paved roads increased to 90% from 70% in 2010</p> <p>Increased average intercity travel speed: On national highway network average speed increased from 35 kph in 2010 to at least 50 kph in program areas</p> <p>Increased availability of inter-city freight and passenger services: Volumes of traffic along project roads increased by 30% from 2011</p> <p>Travel time to the nearest</p>	<p>MPW and MOTCA records</p> <p>Traffic counts and surveys</p> <p>Socioeconomic surveys</p> <p>Railway inspection reports</p>	<p>Assumptions Timely availability of donor and government financing for infrastructure development</p> <p>Systematic selection of roads for improvement to complete the envisaged network</p> <p>Continued commitment of the government to further sector reforms</p> <p>Continued procurement of maintenance works under performance-based contracts by MPW</p> <p>Increased availability of transport services following improvement of the priority roads</p> <p>Continued complementary assistance by other development agencies and nongovernment organizations in rehabilitating other economic infrastructure, and provisions for</p>

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
	primary school, healthcare facility, or other essential service in target areas decreased by 25% or 15 minutes from the existing average of 1 hour in 2011		<p>basic social services</p> <p>Risks Lack of buy-in or commitment by MPW to restructure and make required changes in business practices</p> <p>Weak external monitoring of projects</p> <p>Sustainability of investments may be undermined by lack of maintenance</p>
<p>Outputs</p> <p>1. 578 km of reconstructed and rehabilitated regional and national roads</p> <p>2. 225 km of constructed railway and stations between Mazar-e-Sharif and Andkhoy</p>	<p>By 2017: The international roughness index for project roads less than 5 meters per km, compared with a current estimate of greater than 7 meters per km.</p> <p>By 2017: Railway line meeting the specifications of gauge (1520 mm)</p>	<p>MPW Progress Reports</p> <p>MPW asset inventory</p> <p>MPW contract documents</p> <p>MPW Progress Reports</p> <p>MPW contract documents</p>	<p>Assumptions Timely and properly completed resettlement activities</p> <p>Increased numbers of qualified professionals and firms availability and willing to undertake work in Afghanistan</p> <p>Agreement reached between MPW and ARDS on and work according to a procurement schedule</p> <p>Risks MPW capacity constraints: lack of funds and staff resources for required counterpart funding</p> <p>Poor project design</p> <p>Cost overruns resulting in less work accomplished than designed</p> <p>Assumptions Timely and properly completed resettlement activities</p> <p>Coordinated effort by inter-ministerial agencies of central government</p> <p>Risks Deterioration of security situation</p> <p>MPW capacity constraints: lack of funds and staff resources for required counterpart funding</p> <p>Cost overruns resulting in less work accomplished than designed</p>

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
3. Operation and maintenance of 75 km of new railway line, loops and stations between Hairatan and Mazar-e-Sharif	<p>Goods transported will increase from 2.2 million tons in 2010 to over 3.2 million tons per year</p> <p>By 2012, railway facilities are maintained as per performance standards by 2012</p> <p>By 2012, 40 staff trained by the Operator on railway operation and maintenance</p>	<p>Government progress reports</p> <p>Railway inspection reports</p>	<p>Assumptions Railway tariffs are workable as compared with trucking alternatives</p> <p>Maximum coordinated effort by government inter-ministerial agencies</p> <p>Risks Deterioration of security situation</p>
4. Strengthened capacity of MPW	<p>MPW and ARDS jointly handle the procurement of goods and services and recruitment of consultants effectively</p> <p>Organizational restructuring and revised business for MPW-PMO</p> <p>By 2014, the number of claims and variations are reduced by 30% from 2011</p> <p>Gender action framework and one pilot initiative implemented by 2014</p>	<p>List of counterpart staff who received training and their program details.</p> <p>MPW-PMO audit reports</p>	<p>Assumptions The government continues to implement the road and rail sector component of ANDS</p> <p>Risk Lack of buy-in or commitment by MPW and other agencies for required institutional restructuring and sector reforms</p>
5. Improved transport sector governance	<p>Establishment of the road authority and road fund by 2012</p> <p>Establishment of the rail authority by 2012</p> <p>A long term railway development plan developed and reviewed by the government by 2012</p> <p>Railway legal framework and regulations drafted and reviewed by the government agencies by 2012</p> <p>MPW implements an asset management system by 2013</p>	<p>Updated ANDS and NRIRCP reports</p> <p>Government mandates and decrees establishing new authorities and delegating responsibilities</p> <p>Government budgets allocating staff and monetary resources to authorities</p>	<p>Assumptions Increased availability of qualified professionals and firms willing to undertake work in Afghanistan</p> <p>MPW and ARDS work according to an agreed upon procurement schedule</p> <p>Risks Inadequate and weak coordination among government agencies</p> <p>Delayed or incomplete institutional strengthening</p> <p>Lack of anticorruption strategy or action plan</p> <p>Delay in transition to new procurement law</p>

Design Summary	Performance Targets and Indicators	Data Sources and Reporting Mechanisms	Assumptions and Risks
	MPW revises the list of priority transport infrastructure into an updateable living national transport plan by 2013		
Activities with Key Milestones Project 1: 1.1 Land acquisition and resettlement fully implemented by December 2011 1.2 Civil works and supervision consultant contracts awarded by September 2011 and completed by December 2013 1.3 Capacity building consultants recruited by January 2012, services completed by 2014 1.4 Afghan staff trained for railway operation and maintenance by December 2012 Project 2: 2.1 Award of civil works contracts by August 2012 2.2 Completion of civil works by September 2014 Project 3: 3.1 Award of civil works contracts by August 2013 3.2 Completion of civil works by October 2015 Project 4: 4.1 Award of civil works contracts by March 2014 4.2 Completion of civil works by November 2016			Inputs The Investment Program: ADB: \$754 million (ADF) AITF: \$33 million Government: \$18 million Project 1: ADB: \$189 million (ADF grant) AITF: \$33 million Government: \$10 million

ADB = Asian Development Bank, ADF = Asian Development Fund, ANDS = Afghanistan National Development Strategy, ARDS = Afghanistan Reconstruction and Development Service, km = kilometers, kph = kilometer per hour, MFF = multitranche financing facility; MOTCA = Ministry of Transport and Civil Aviation; MPW = Ministry of Public Works.

Source: Asian Development Bank

SCHEDULE 3

IMPLEMENTATION FRAMEWORK

1. Unless otherwise agreed in the legal agreements for individual tranches, Investment Program activities funded by the Facility will be implemented in accordance with the implementation framework shown in Figure 1 and the provisions below.

Project Management

2. Afghanistan designates MPW as the Executing Agency with overall responsibility for execution and supervision of Investment Program activities funded under the Facility. The Project Management Office (PMO) that has already been established within MPW for day-to-day administration and execution of ADB-financed road sector projects will be responsible for day-to-day preparation and implementation of Investment Program Projects in accordance with the provisions of this FFA and related legal agreements.

3. With the concurrence of MOF and ADB, MPW will be responsible for appointing a Program Director for the PMO with overall responsibility for the fulfillment of the PMO's mandate. In addition, the PMO shall comprise a deputy project director and an adequate number of project managers, engineers, social safeguard specialists, environmental specialists and administrative staff with the experience and motivation necessary for successful implementation of each project. A team comprising four representatives from ADB will work closely with the PMO to assist the PMO with expeditious completion of Investment Program Projects in accordance with the provisions set forth in the legal agreements for individual tranches.

Advisory Committee

4. Afghanistan will establish an Advisory Committee comprising representatives of the Ministry of Finance (MOF), Ministry of Mines (MOM), Ministry of Transport, ADB and other transport sector donors as agreed with ADB. The Advisory Committee will be co-chaired by representatives of MOF and MPW. The Advisory Committee's role will be to provide advice to MPW in connection with the transport network management capacity component of the Investment Program, in particular, the development of a National Transport Plan and the establishment of national road and railway authorities. The Advisory Committee will convene for the first time on or before 31 December 2011 and meet at least biannually.

Steering Committee

5. Afghanistan will ensure that MPW establishes an Investment Program Steering Committee comprising MPW, MOF and ADB representatives. The Steering Committee's role will include: (i) overall guidance on Investment Program implementation; (ii) approval of an annual activity plan for the PMO; (iii) act as a bid evaluation committee for the procurement of works, goods and consulting services required under the Investment Program; (iv) depute and appoint staff to the PMO; and (v) review the performance of consultants and contractors. The Steering Committee will convene at least monthly and also as required.

Stakeholder Participation and Consultation

6. Afghanistan will ensure that MPW implements the Investment Program with the active participation of all applicable national stakeholders using participatory practices and that consultation with, and disclosure of relevant information to, such stakeholders continues throughout implementation of the Investment Program.

Implementation Schedule

7. The indicative implementation schedule for the Facility and Project 1 is given in Figure 2. MPW will prepare a detailed implementation schedule for each Project during the pre-construction phase of the Project and submit it as part of the corresponding PFR. The overall Facility implementation schedule will be updated from time to time (as required) through updates to the FAM.

Other Implementation Arrangements

8. MPW will implement the Investment Program in accordance with the detailed requirements set out in the FAM.

9. MPW will undertake all procurement activities under the Facility in accordance with the *Guidelines on The Use of Consultants by Asian Development Bank and Its Borrowers* (2010, as amended from time to time) and ADB's *Procurement Guidelines* (2010, as amended from time to time) under a procurement plan approved by ADB. The procurement plan must include all procurement activities anticipated under the Investment Program during the forthcoming 18 month period and must be updated by MPW at least annually.

Project Performance, Monitoring and Evaluation

10. MPW will cause the PMO to undertake the periodic Project and Investment Program performance, monitoring and evaluation actions (including submission of periodic reports to ADB) in each case in accordance with the requirements set out in the FAM.

Investment Program and Project Reviews

11. In addition to monitoring by ADB operational division(s) and periodic review missions, ADB, together with the MOF and MPW, will perform on-site reviews of the Projects at such frequency as ADB reasonably requires.

12. A midterm review of the Facility will be performed in 2013. The review will focus on identifying the causes of, and agreeing on measures to correct, negative deviations from targets for: (i) output rates; (ii) disbursements; (iii) reforms; (iv) financial and procurement audits; and (v) compliance with safeguard requirements.

Additional Financing for Hairatan to Mazar-e-Sharif Railway Project

13. Activities related to the change in scope of the Mazar-e-Sharif Railway Project for which additional financing provided under the Facility will be implemented in accordance with the Project Administration Manual and other existing implementation arrangements under that project.

Figure 1: Organization Structure for Project Management

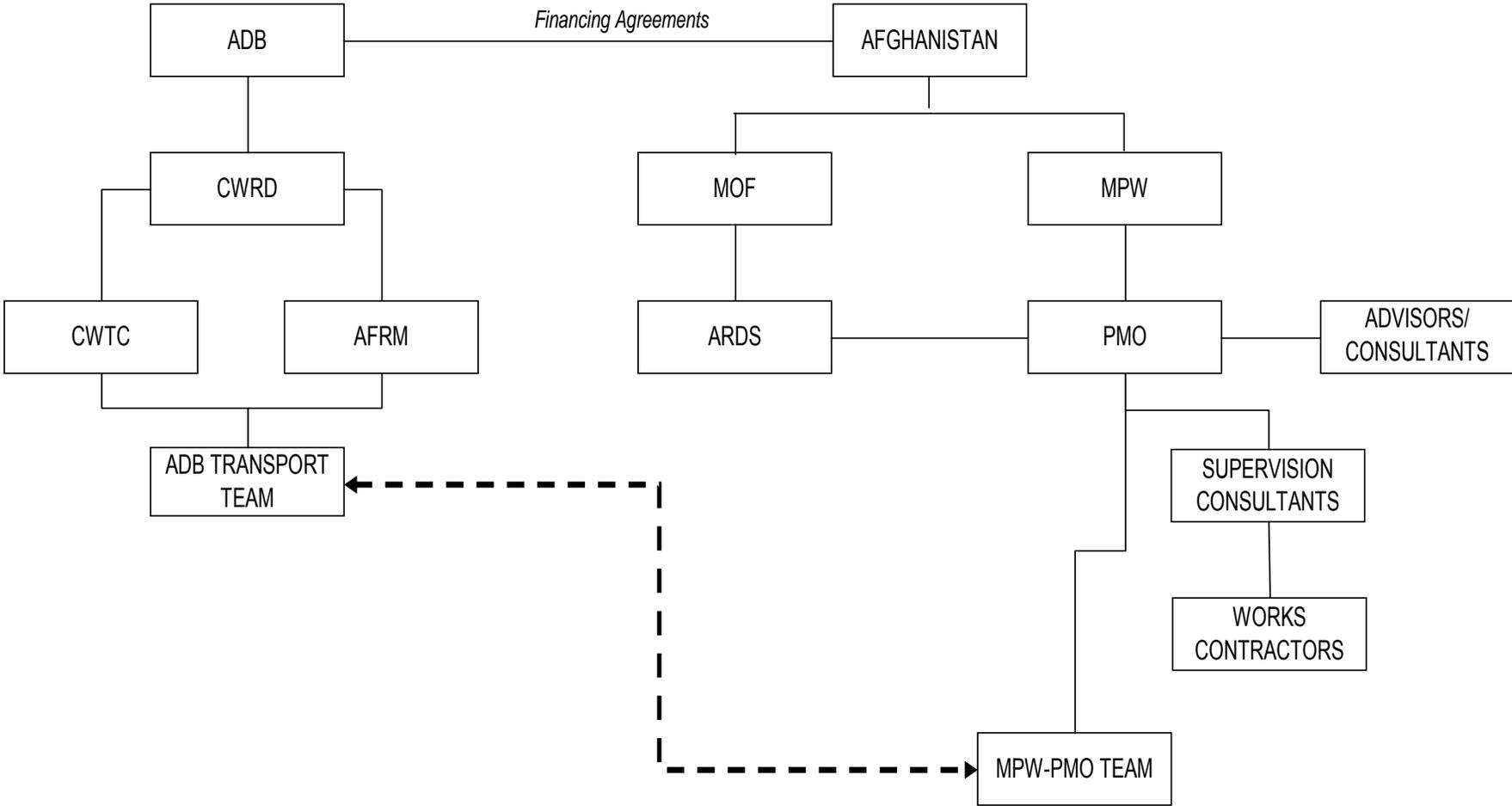
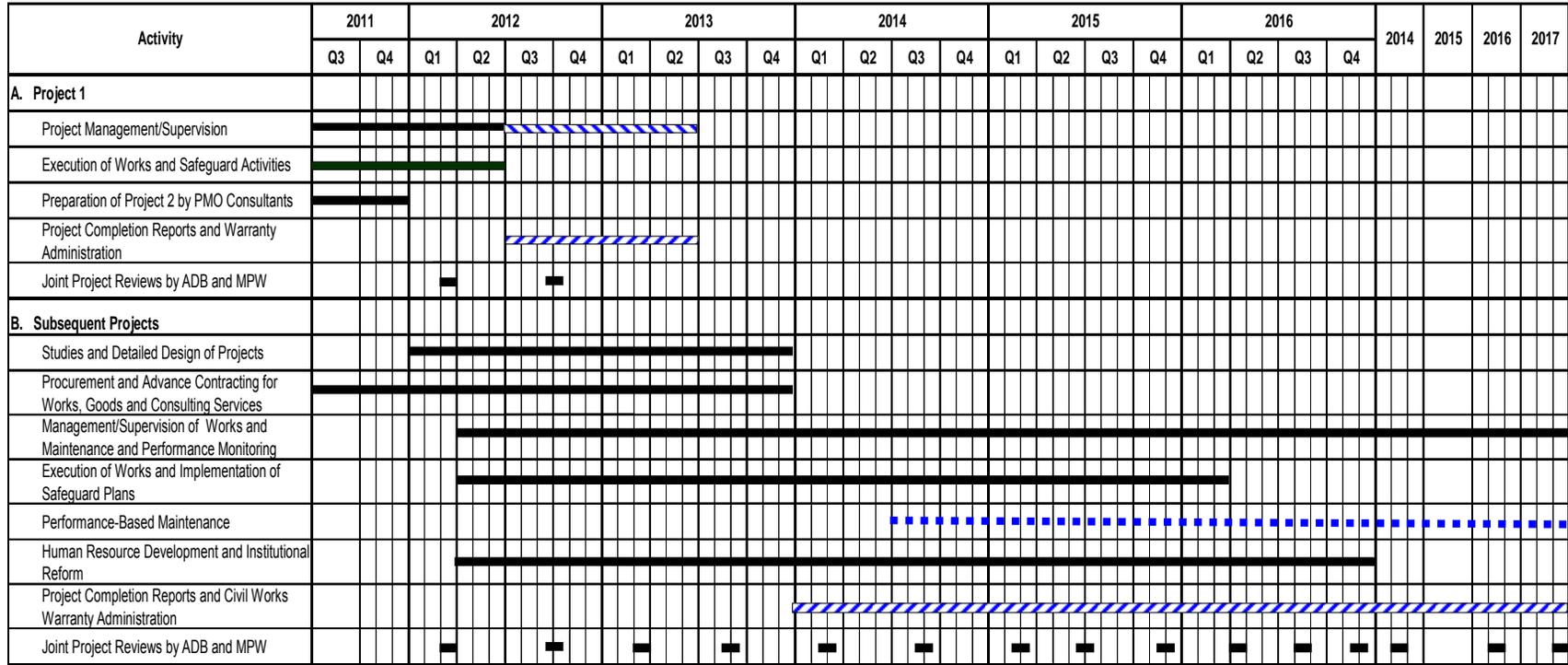


Figure 2: Indicative Implementation Schedule



ADB - Asian Development Bank, MPW - Ministry of Public Works, PMO - Project Management Unit, Q - quarter

SCHEDULE 4

SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECT COMPONENTS

Selection Process

1. The following steps will be followed for selecting the Projects and subprojects:
 - (i) MPW initially selects and appraises the following types of proposed Projects consistent with the scope of the Investment Program: roads or sections of road classified as either regional or national to be improved (upgraded, repaired, or rehabilitated) or maintained; new or existing rail links; capacity and institutional development activities and sector and governance development activities. Staff and consultants of the PMO of MPW will perform the applicable studies and analyses and confirm that the proposed project is consistent with the Investment Program and meets the eligibility criteria outlined below;
 - (ii) In consultation with MOF, relevant national and provincial agencies, and ADB, the Deputy Minister (Technical) of MPW will carry out an annual review to prioritize and, if necessary, revise proposed Projects, and prepare (or update) the prioritized list of Projects; and
 - (iii) Based on the priorities, MPW, in consultation with MOF, will select a project, and the PMO will appraise that project and prepare a draft report (in the format set out in the FAM) and a draft PFR to fund one or more of the following components of the Projects: studies and designs; project management; infrastructure improvement (repair, rehabilitation or reconstruction); infrastructure maintenance; and capacity development and institutional reforms (non-physical investments).

Eligibility Criteria

2. To be eligible for financing under the transport infrastructure development component, the Projects and sub-projects:
 - (i) must be: (a) identified and programmed under the ANDS; or (b) refinements of ANDS such as the National-Regional Integrated Resource Corridor Initiative (NRIRCI). According to NRIRCI criteria, preference will be given to Projects that are part of a strategic or international link or a regional corridor according to the following:
 - Inherent economic potential from natural resources (minerals and hydrocarbons) along and adjacent to a corridor (direct and indirect impact);
 - Regional integration potential and stimulation of local and cross-border trade;
 - Infrastructure constraints to the realization of the economic potential from natural resources (minerals and hydrocarbons);
 - Potential for micro and small and medium enterprise (SME) development;
 - Impact on poverty alleviation, especially among disadvantaged communities;
 - Connectivity to social centers, remote communities with much-needed humanitarian aid and basic public services;
 - Economic impact (cost of the project versus time and fuel savings);

- Initial request (upgrading or complementary to previously completed project);
 - Potential impact on improved security and stability; and
 - Environmental impacts.
- (ii) must have been studied and 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 financially sustainable; and
- (iii) must have been reviewed and approved by MOF and if necessary other relevant national, provincial, and local government agencies responsible for the environment, technical, and social criteria, or approvals will be obtained in time for the project or the Investment Program implementation schedules to be maintained.

Approval Process

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

- (i) The Deputy Minister (Technical) of MPW will submit the draft appraisal report and the draft PFR to ADB, together with supporting documents including the procurement plan, Initial Environmental Examinations or Environmental Impact Assessments (as applicable) and the Land Acquisition and Resettlement Plans (if required). All proposed Projects must be duly substantiated with reference to the above-mentioned eligibility criteria;
- (ii) ADB will review the report and draft PFR, and suggest revisions to be taken into account by MPW in its final submission; and
- (iii) The Deputy Minister (Technical) of MPW will submit the final PFR, reflecting ADB's comments, to ADB through MOF for approval by ADB's management.

Monitoring During Implementation

4. MPW, with the assistance of the construction supervision consultants, will ensure adherence of Projects to the guidelines, policies, and other requirements of ADB, and monitor the 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 and agreed with ADB 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 financed under the Facility.

- (i) environmental assessment and review framework (“EARF”) dated July 2011;
- (ii) land acquisition and resettlement framework (“LARF”) dated July 2011;
- (iii) gender action framework (“GAF”) dated July 2011;
- (iv) initial environmental examinations and environmental management plans for the first tranche; and
- (v) land acquisition and resettlement plans 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 and involuntary resettlement; (ii) the safeguard criteria that are to be used in selecting components for 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 and involuntary resettlement will be reviewed by MPW and updated, if necessary, to ensure relevance and consistency with applicable laws, regulations, and legal frameworks in Afghanistan and ADB’s safeguard policies, as amended from time to time.

4. In all cases, for each new PFR preparation, Afghanistan, through MPW, will review 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 components 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.

Environment

5. Afghanistan will ensure that each Project financed under the Facility is prepared, designed, constructed, implemented, operated and decommissioned in accordance with all applicable laws and regulations of Afghanistan and ADB’s Safeguard Policy Statement (2009) (“Safeguard Policy Statement”) as set out in the agreed EARF, all measures and requirements set forth in the respective initial environmental examination (“IEE”) or environmental impact assessment (“EIA”) and any corrective or preventative actions set forth in a safeguards monitoring report.

6. Afghanistan will cause MPW to ensure that:

(i) an EIA or IEE is prepared for each Project in accordance with all applicable laws and regulations of Afghanistan and the Safeguard Policy Statement as set out in the EARF, and that all EIA/IEEs are cleared by ADB and adhered to during design, construction and operation phases of such project;

(ii) the environmental management plans (“EMPs”) are implemented by the contractors, all recommendations of the EMPs are incorporated in the bidding documents and civil works contracts to ensure compliance, and adequate budgetary allocation is made by the contractors for implementation of the EMPs. Prior to commencement of civil works, MPW will update the EMPs in consultation with the construction supervision consultant and the contractors;

(iii) no civil works contract will be awarded until the corresponding EIA/IEE has been approved by ADB; and

(iv) semi-annual monitoring reports on EMPs’ implementation are submitted to ADB in a timely manner.

Prohibited List of Investments

7. Afghanistan will ensure that the Facility will not be used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the Safeguard Policy Statement.

Involuntary Resettlement

8. Afghanistan will ensure that each Project financed under the Facility is developed, implemented and maintained in accordance with all applicable laws and regulations of Afghanistan, the Safeguard Policy Statement and the LARF.

9. Afghanistan will cause MPW to ensure that:

(i) for Projects with involuntary resettlement, a land acquisition and resettlement plan (“LARP”) acceptable to ADB is prepared for each Project in accordance with all applicable laws and regulations of Afghanistan, the Safeguard Policy Statement as set out in the agreed LARF, as a submission with the PFR;

(ii) all land and rights-of-way required by the Projects are made available free and clear from any and all rights and claims of third parties and any other encumbrances in a timely manner, subject to compliance with all applicable laws and regulation of Afghanistan, the Safeguard Policy Statement, the LARF and the LARPs;

(iii) except as specifically permitted in the legal agreements for Project(s) financed under the Facility, no civil works contract will be awarded for a Project or subproject involving resettlement until the relevant LARP has been cleared by ADB. Contractors will only commence civil works in affected areas after the LARP has been implemented in accordance with its terms, as certified by an external expert or qualified NGO; and

(iv) a qualified, experienced and independent external expert or qualified NGO is engaged under a selection process and terms of reference acceptable to ADB, to monitor implementation of each LARP implemented under the Facility, verify information relevant to each LARP produced through Project monitoring processes and carry out post-implementation evaluation of each LARP, in each case in accordance with requirements in the LARF.

Indigenous Peoples

10. Afghanistan shall ensure that Projects financed under the Facility do not have any indigenous peoples impacts within the meaning of the Safeguard Policy Statement. In the event that Project(s) do have any such impacts, Afghanistan shall take all steps required to ensure that the Project complies with the applicable laws and regulations of Afghanistan and the Safeguard Policy Statement.

Labor Standards and Health

11. Afghanistan will cause MPW to ensure monitoring of social impacts throughout the implementation of all Projects financed by the Facility, in consultation with local governments, local communities and nongovernment organizations. In this respect, MPW will ensure that all civil works contractors: (i) comply with all applicable labor laws of Afghanistan; (ii) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Projects financed under the Facility; (iii) disseminate information at worksites on health safety (including HIV prevention programs) for those employed during construction; (iv) maintain equal pay to men and women for work of equal type; (v) provide safe working conditions and appropriate facilities for male and female workers; and (vi) abstain from the use of forced and child labor.

Gender and Development

12. Afghanistan shall ensure that the principles of ADB's *Policy on Gender and Development* (1998) are followed during implementation of the Project, including: (i) equal pay to men and women for the same type of work; (ii) enabling working conditions for female workers; and (iii) taking all necessary actions to encourage women living in the Project area to participate in planning and implementing Project activities. Afghanistan, in coordination with the appropriate agencies, shall ensure the effective implementation of measures aimed at increasing Investment Program benefits and impacts on women in and around the project areas.

13. Afghanistan shall ensure that the Gender Action Framework for the Investment Program agreed between the Recipient and ADB is implemented and monitored in a timely manner in accordance with its terms and conditions and adequate resources are allocated for this purpose.

SCHEDULE 6

Undertakings

Investment Program

1. Afghanistan will: (i) ensure that the Investment Program is implemented in a timely manner, including executing the implementation arrangements set out in Schedule 3 to this FFA and monitoring and evaluating implementation based on the Design and Monitoring Framework set out in Schedule 2 to this FFA; (ii) ensure that all Projects and subprojects financed under the Facility are selected and approved in accordance with the criteria and procedure set out in Schedule 4 to this FFA; (iii) ensure that all Projects and subprojects financed under the Facility are developed, implemented and maintained in accordance with the FAM and the safeguard and social requirements set out in Schedule 5 to this FFA.

Sector Development Undertakings

2. On or before 31 December 2012 Afghanistan will establish a national road authority as contemplated by ANDS. The responsibilities and obligations of the road authority will include: (i) prescription and enforcement of minimum quality standards, (ii) data collection on road users and road use, (iii) prescription and enforcement of safety rules and regulations, and (iv) collection of user fees and charges.

3. On or before 21 March 2012 Afghanistan will establish a national rail authority. The responsibilities and obligations of the national rail authority will include: (i) prescription and enforcement of minimum quality standards, (ii) data collection on rail users and rail use, (iii) prescription and enforcement of safety rules and regulations, and (iv) collection of user fees and charges in accordance with applicable operation and maintenance (“O&M”) contracts.

4. Afghanistan will ensure that on or before 21 March 2013, in consultation with the Advisory Committee, MPW prepares a draft National Transport Plan (NTP) covering future infrastructure project planning, construction, rehabilitation, and maintenance activities. The NTP will include a national railway sub-sector plan with feasibility studies for recommended rail routes. The plan will be a bottom-up participatory process from the local, provincial and national levels to operationalize priorities in the transport sector based on current demands and previous strategy and policy documents. The format of the NTP will allow it to be updated annually and to be linked with data and outputs of an asset management system, budgetary cycles and funds allocated for various purposes. The NTP should be drafted by MPW and presented for approval by Parliament on or before 21 March 2014.

5. Afghanistan will ensure that: (i) ADB is kept informed of the policies and programs of Afghanistan for the transport sector, including those under discussion with other multilateral and bilateral agencies and those that may materially affect the economic viability of Projects or subprojects financed under the Facility; and (ii) ADB is given an opportunity to comment on any proposed new transport sector policies or programs.

Counterpart Funding, Resources and O&M Fund

6. Afghanistan will ensure that:

- (i) financial, technical and human resources necessary for implementation of the Investment Program are provided on a timely basis throughout the implementation period; and
- (ii) adequate funds are allocated for the O&M of the infrastructure assets constructed and goods procured under the Investment Program.

7. Without limiting the undertaking at paragraph 6(ii) above, Afghanistan will ensure that on or before 21 March 2013 a fund is established by MPW or a new transport authority for the O&M of transport infrastructure.

Organizational Development of MPW

8. Afghanistan will ensure that:

- (i) on or before 21 March 2012, the PMO prepares a business plan for MPW and the PMO's specific operations for the period until December 2017. The business plan will include an organizational review, needs assessment, time bound restructuring plan and specific capacity development plan taking into account ongoing sector assessments; and
- (ii) on or before 21 March 2013, the PMO establishes an asset management system (AMS) with the capability to track the location and depreciation of transport sector infrastructure in order to systematically plan for reconstruction, rehabilitation and maintenance activities as a means to achieve full potential of the economic value of constructed assets.

Good Governance, Fiduciary Oversight, and Anticorruption

9. Afghanistan will comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledges that ADB, consistent with its commitment to good governance, accountability and transparency, reserves the right to undertake directly, or through its agents, investigation of any alleged corrupt, fraudulent, collusive or coercive practices related to the Investment Program and cooperate with such investigation and extend all necessary assistance, including access to all Investment Program-relevant books and records, and engaging independent experts who may be needed for satisfactory completion of such investigations. All contracts financed by ADB under the Investment Program will include provisions specifying the right of ADB to audit and examine the Investment Program-related records and accounts of MPW and all contractors, suppliers, consultants, and other service providers as they relate to the Investment Program.

10. Afghanistan will ensure that MPW complies with all governance and anticorruption related provisions of the FAM including establishment of eligibility criteria for persons serving on bid evaluation committees and the requirement that such persons make full disclosure of relevant interests and any potential conflict of interests.

Construction Quality

11. Afghanistan will ensure that the Investment Program is carried out in accordance with applicable standards and international best practice for design, technical specifications, construction supervision, quality control and project management.

Security

12. Afghanistan will ensure that, through its Ministry of Interior, police force and national army, adequate security (including demining measures where required) are provided for the smooth and uninterrupted implementation of Projects and subprojects financed under the Investment Program.

13. In addition, Afghanistan shall require service providers and works contractors under each Project to submit security plans, which will be part of the contracts, and include adequate financing in the Project budgets to enable implementation of these plans.

Prevention of Trafficking

14. Afghanistan shall undertake concrete measures including border controls and road patrols to prevent trafficking of humans, wildlife, endangered species and illegal substances on roads or other facilities provided, rehabilitated or reconstructed under each Project.