

---

GRANT NUMBER 0465-AFG (EF)

GRANT AGREEMENT  
(Externally Financed)

(Energy Supply Improvement Investment Program - Project 1)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

ASIAN DEVELOPMENT BANK

DATED 19 DEC 2015

---

AFG 47282

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 19 Dec 2015 between ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 2 November 2015 between the Recipient and ADB, ADB has agreed to provide a multitranche financing facility to the Recipient for purposes of financing projects under the Energy Supply Improvement Investment Program;

(B) by a periodic financing request dated 2 November 2015, the Recipient has applied to ADB for two grants for the purposes of the Project described in Schedule 1 to the ADB Grant Agreement (as this term is defined below);

(C) by an agreement between the Recipient and ADB ("ADB Grant Agreement"), ADB has agreed to make to the Recipient a grant of two hundred million Dollars (\$200,000,000) from ADB's Special Funds resources ("ADB Grant");

(D) ADB has established a multi-donor trust fund, the Afghanistan Infrastructure Trust Fund ("AITF"), to provide cofinancing support to infrastructure projects in the territory of the Recipient; and

(E) ADB has agreed to make a grant to the Recipient from AITF upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and Da Afghanistan Breshna Sherkat ("DABS");

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 ("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. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and in the ADB Grant Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient a grant from AITF in the amount of seventy five million Dollars (\$75,000,000).

## **ARTICLE III**

### **Use of Proceeds of the Grant**

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

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to the ADB Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Recipient and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to the ADB Grant Agreement.

Section 4.02. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as the administrator for AITF. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from AITF, and (ii) that ADB does not assume any obligations or responsibilities of AITF in respect of the Project or the Grant other than those set out in this Grant Agreement.

## **ARTICLE V**

### **Suspension**

Section 5.01. The following are specified as additional events 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 Grant Regulations:

- (a) the ADB Grant shall have become liable for suspension or cancellation; and
- (b) the Recipient or DABS shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) the ADB Grant Agreement has been duly authorized, executed and delivered on behalf of the Recipient and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement and the Subsidiary Loan Agreement) have been fulfilled; and
- (b) the Subsidiary Loan Agreement has been duly authorized, executed and delivered on behalf of the Recipient and DABS and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement and the ADB Grant Agreement) have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the ADB Grant Agreement has been duly authorized, executed and delivered on behalf of the Recipient, and is legally binding on the Recipient in accordance with its terms; and

(b) the Subsidiary Loan Agreement has been duly authorized, executed and delivered on behalf of the Recipient and DABS, and is legally binding on the parties in accordance with its terms.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the 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 Grant Regulations.

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

#### For the Recipient

Ministry of Finance  
Pashtonistan Watt  
Kabul, Afghanistan

Facsimile Number:

93-20-210-2838

#### For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

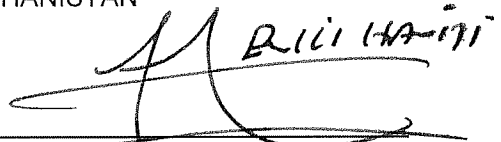
Facsimile Numbers:

(632) 636-2444

(632) 636-2301.

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 as of the day and year first above written and to be delivered at the principal office of ADB.

ISLAMIC REPUBLIC OF  
AFGHANISTAN

By   
EKLIL AHMAD HAKIMI  
Minister of Finance

ASIAN DEVELOPMENT BANK

By   
THOMAS PANELLA  
Country Director  
Afghanistan Resident Mission

## SCHEDULE 1

### Allocation and Withdrawal of Grant Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

#### Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

#### Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

#### Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

#### Retroactive Financing

5. Withdrawals from the Grant Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Grant Agreement in connection with Goods, Works and Consulting Services, subject to a maximum amount equivalent to 20% of the Grant amount.

**TABLE**

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Energy Supply Improvement Investment Program - Project 1)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for AITF Financing (\$)  Category</b>	<b>Basis for Withdrawal from the Grant Account</b>
1	Turnkey Contracts*	55,000,000	100 percent of total expenditure claimed
2	Consulting Services (Program Management and Supervision, Preparation of Future Projects, and Analytical Support)*	20,000,000	100 percent of total expenditure claimed
	Total	75,000,000	

\* Financing allocated to this item under this Grant Agreement will be utilized first at 100% of every claim until it has been disbursed in full. Thereafter, financing allocated to this item under the ADB Grant Agreement will be utilized at 100% of every claim.