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GRANT NUMBER 0522-AFG(EF)

GRANT AGREEMENT  
(Externally Financed)

(Energy Supply Improvement Investment Program – Project 2)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

ASIAN DEVELOPMENT BANK

DATED 20 DECEMBER 2016

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AFG 47282

**GRANT AGREEMENT**  
**(Externally Financed)**

GRANT AGREEMENT dated 20 December 2016 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 October 2016, the Recipient has applied to ADB for two grants from ADB's Special Funds resources and the Afghanistan Infrastructure Trust Fund ("AIF") 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 one hundred eighty-eight million two hundred thirty thousand Dollars (\$188,230,000) from ADB's Special Funds resources ("ADB Grant");

(D) the Recipient has also applied to the People's Republic of China Poverty Reduction and Regional Cooperation Fund ("PRCF") for a grant for the purposes of financing part of the Project and by an agreement between the Recipient and ADB ("PRCF Grant Agreement"), ADB has agreed to make to the Recipient a grant of one million Dollars (\$1,000,000) provided by the PRCF ("PRCF Grant"); and

(E) ADB has agreed to make a grant to the Recipient from AIF 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 two hundred twenty-five million seven hundred seventy thousand Dollars (\$225,770,000) ("Grant").

## ARTICLE III

### Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall relend the proceeds of the Grant to DABS under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree, the terms for relending the proceeds of the Grant shall include interest at the rate of 1% per annum during the grace period and 1.5% per annum thereafter and a repayment period of 32 years including a grace period of 8 years. The foreign exchange risk shall be borne by DABS.

(b) The Recipient shall cause the proceeds of the Grant to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of the Schedule 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 30 June 2023 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. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable DABS to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Recipient shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

Section 4.06. 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 (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from AITF, and (b) 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 or the PRCF 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;
- (b) the PRCF 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
- (c) 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, the ADB Grant Agreement and the PRCF 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;
- (b) the PRCF 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
- (c) 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.

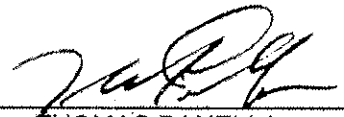
ISLAMIC REPUBLIC OF AFGHANISTAN

By

  
EKLIL AHMAD HAKIMI  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By

  
THOMAS PANELLA  
Country Director  
Afghanistan Resident Mission

**SCHEDULE****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 or Subcategory 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 Procedure

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

Condition for Withdrawals from the Grant Account

5. Notwithstanding any other provision of this Grant Agreement and except as ADB may otherwise agree, no withdrawals shall be made from the Grant Account for Category 1 (Turnkey Contracts) until a relocation program has been established in consultation with affected people and local administration in accordance with the RP and incorporated in the LARP.



TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Energy Supply Improvement Investment Program – Project 2)</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	199,000,000	100% of total expenditures claimed
2	Unallocated	26,770,000	
	<b>Total</b>	<b>225,770,000</b>	