

---

GRANT NUMBER 0423-AFG (EF)

GRANT AGREEMENT  
(Externally Financed)

(Transport Network Development Investment Program - Tranche 4)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

ASIAN DEVELOPMENT BANK

DATED 28 January 2015

---

AFG 44482

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 28 February 2015 between the ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a grant agreement of even date herewith between the Recipient and ADB ("ADB Grant Agreement"), ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources in the amount of one hundred nine million Dollars (\$109,000,000) for the purposes of the Project described in Schedule 1 to the ADB Grant Agreement;

(B) the Recipient has applied to the EU for a grant, to be administered by ADB, for the purposes of cofinancing expenditures under the Project;

(C) by an agreement entitled "European Union Contribution Agreement with an International Organisation" signed by the EU, represented by the EC, on 25 February 2014, and by ADB on 7 March 2014 (as amended from time to time, "Cofinancing Agreement"), EU has agreed to provide, and ADB has agreed to administer, the grant provided for herein upon the terms and conditions set out in the Cofinancing Agreement; and

(D) ADB has agreed to make the proceeds of the grant from the EU available to the Recipient upon the terms and conditions set forth herein;

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. Additional terms used in this Grant Agreement have the following meanings:

- (a) "EC" means the European Commission; and
- (b) "EU" means the European Union.

## **ARTICLE II**

### **The Grant**

Section 2.01. (a) ADB agrees to make available to the Recipient a grant from the EU in the maximum amount of twenty one million Dollars (\$21,000,000), as such amount may be adjusted from time to time in accordance with subsection (b) hereinafter.

(b) The amount of the Grant shall be adjusted from time to time to account for currency fluctuations, such that the amount of the Grant, denominated in Dollars, shall be equivalent to no more than sixteen million eight hundred eight thousand seven hundred sixty six Euro (€16,808,766) at the time that ADB converted the resources made available to ADB by the EU for the purposes of the Grant.

## **ARTICLE III**

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

Section 3.01. (a) 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.

(b) The Recipient agrees that the proceeds of the Grant may be used to pay ADB's administration fees and other charges pursuant to the Cofinancing Agreement. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees and other charges.

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 30 June 2019 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 2 to this Grant Agreement and Schedule 4 to the ADB Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds, and use of the procedures for imprest funds and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) 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.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

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 grant administrator for the EU. Accordingly, the Recipient agrees that (a) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from the EU, and (b) that ADB does not assume any obligations or responsibilities of the EU 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 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 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 Grant Regulations: the ADB Grant Agreement shall have been duly 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) shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, 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: that the ADB Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient 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) 636-2428.

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

ISLAMIC REPUBLIC OF AFGHANISTAN

By



MOHAMMAD MUSTAFA MASTOOR  
Acting Minister  
Ministry 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 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 Procedures

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

TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Transport Network Development Investment Program – Tranche 4)</b>				
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for EU Financing (\$)</b>		<b>Basis for Withdrawal from the Grant Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Goods (Border Crossing Point Equipment for CAREC Corridors 5 and 6)	5,100,000		100% of total expenditure claimed
2	Consulting Services	15,400,000		
2A	AfRA Capacity Development		8,700,000	100% of total expenditure claimed
2B	Pilot Operation and Maintenance Study for CAREC Corridors 5 and 6		4,100,000	100% of total expenditure claimed
2C	Support to CAREC Corridors 5 and 6		2,600,000	100% of total expenditure claimed
3	Unallocated*	500,000		
	Total	21,000,000		

\*This amount includes ADB's administration fee, audit costs, bank charges and provision for foreign exchange fluctuations to the extent that these items are not covered by the interest and investment income earned on this Grant, or any additional project specific grant contribution by the EU.



## SCHEDULE 2

### Execution of Project

#### Visibility and Transparency

1. With due regard to the applicable rules on confidentiality, security, and protection of personal data, the Recipient shall publish, on its website, the following information on the Grant and any procurement contracts exceeding fifteen thousand Euro (€15,000) financed by the EU: (a) title of the contract, (b) nature and purpose of the contract, (c) name and locality of the contractor, and (d) amount of the contract.
2. The Recipient shall provide to the EU the address of the website where the information provided in accordance with the above paragraph can be found and shall authorize the publication of such address on the EU's internet site.

#### Evaluation of the Project

3. Representatives of the EC shall be invited to participate in the main monitoring and in the evaluation missions relating to the performance of the Project.
4. The above paragraph is without prejudice to any evaluation mission which the EC as a donor may wish to perform. Evaluation missions by representatives of the EC should be planned and completed in a collaborative manner between the Recipient's and ADB's staff and the EC's representatives, keeping in mind the commitment of the Recipient, ADB and the EU to the effective and efficient implementation of the Project. These missions are to be planned ahead and procedural matters are to be agreed upon by the Recipient, ADB and the EC in advance.

#### Obligations regarding Information

5. The Recipient shall provide ADB and the EU with full information on the implementation of the Project. The EU may request additional information at any time, providing the reasons for the request. Such information shall be supplied within 30 days of the request. In any event, the Recipient shall inform ADB and the EU without delay of any circumstances likely to hamper or delay the implementation of the Project.

#### Accounts and Technical and Financial Checks

6. The Recipient shall, until at least 5 years after 30 June 2019:
  - (a) keep financial accounting documents concerning the activities financed by the Grant; and
  - (b) make available to the competent bodies of the EU, upon request, all relevant financial information, including statements of account concerning the Project.
7. The Recipient recognizes that the EC is required to report to its own institutions and to the European Parliament on the implementation of the Project and that the

EC may therefore wish to review the Project. In that event, the Recipient, ADB and the EC will first agree on the procedures to conduct such review, and the Recipient and ADB will subsequently provide the EC with all relevant information without prejudice to ADB's privileges and immunities. The costs associated with the review will be borne by the EU. It is understood that any such review would be undertaken with a view to the verification requirements of the EU, and does not constitute an independent evaluation, compliance review or financial or other audit in relation to the Project for the purposes of ADB's policies and procedures.

#### Final Amount of Financing by the Contracting Authority

8. Where the Project is not carried out at all, or is not carried out properly, in full or on time, the EU may, after allowing ADB to submit its observations, reduce the contribution pro rata the actual implementation of the Project on the terms laid down in the Cofinancing Agreement.

#### Recovery

9. The Recipient shall repay to ADB within 30 days of the issuing of a letter (debit note) by which the EU reclaims from ADB, any amounts paid in excess of the final amount due, inclusive of any interest and other charges. Any partial payment shall first cover the interest.