

TF014845

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION1818 H Street N.W.
Washington, D.C. 20433
U.S.A.(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

May 21, 2013

H.E. Hazrat Omar Zakhilwal
Minister of Finance
Ministry of Finance
Islamic Republic of Afghanistan
Kabul, Afghanistan

Re: Afghanistan Reconstruction Trust Fund Grant No. TF014845
Preparation of the Afghanistan Resource Corridors Project

Excellency:

In response to the request for financial assistance made on behalf of the Islamic Republic of Afghanistan ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Afghanistan Reconstruction Trust Fund ("ARTF"), proposes to extend to the Recipient a grant in an amount not to exceed two million seven hundred thousand United States Dollars (U.S.\$2,700,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the activities described in Section 2.01 of the Annex ("Activities").


The objective of the Activities is to facilitate the preparation of the proposed Afghanistan Resource Corridors Project which is designed to prepare a platform of "hard" and "soft" infrastructure that will enable Afghanistan to derive broader economic benefits from the development of its extractive industries. ("Project"), for the carrying out of which the Recipient has requested the financial assistance from the World Bank, in its capacity as administrator of the ARTF.

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

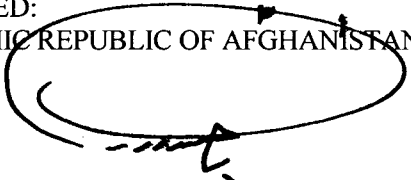
The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Grant does not constitute or imply any commitment on the part of the World Bank to assist in the financing of the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Afghanistan Reconstruction Trust Fund


Robert J. Saum
Country Director for Afghanistan

AGREED:
ISLAMIC REPUBLIC OF AFGHANISTAN

By: 
Authorized Representative

Name: HAZRAT OMAR ZAKHILWAL

Title: MINISTER OF FINANCE

Date: MAY 29, 2013

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
- (3) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011
- (4) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011
- (5) Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011

**ARTF Grant No.TF014845
ANNEX**

**Article I
Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II
Activities Execution**

2.01. **Description of Activities.** The Activities for which the Grant is provided consist of the following parts:

- (a) **Part A.** Carrying out a program of activities designed to establish and strengthen ID Cluster Secretariat for implementation and management of the Activities and the Project, such activities to include financing of incremental operating costs for ID Cluster Secretariat, workshops, training and feasibility studies to facilitate the preparation of the Project.
- (b) **Part B.** Carrying out a program of activities designed to strengthen RC Secretariat for implementation and management of the Activities and the Project, such activities to include financing of incremental operating costs for RC Secretariat, workshops, training and feasibility studies to facilitate the preparation of the Project.

2.02. **Activities Execution Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through its Ministry of Public Works and its Ministry of Mines and Petroleum, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional**

(a) The Recipient shall vest the overall responsibility for the implementation of the Respective Parts of the Activities in: (i) its Ministry of Public Works, until such time that the ID Cluster Secretariat is established pursuant to Section 2.03(b) of this Agreement, and thereafter the ID Cluster Secretariat; and (ii) the RC Secretariat, including procurement and financial management of their Respective Parts of the Activities.

(b) The Recipient shall, no later than thirty (30) days from the date of countersignature of this Agreement by the Recipient, establish the ID Cluster Secretariat, with composition and functions acceptable to the World Bank, for the implementation of Part A of the Activities.

(c) The Recipient shall ensure that, no later than August 31, 2013, a procurement specialist and a financial management specialist each for the ID Cluster Secretariat and for the RC Secretariat, with qualifications, experience and terms of reference satisfactory to the World Bank, are hired, and thereafter maintained throughout implementation of the Activities, to be responsible for procurement and financial management under their Respective Parts of the Activities.

2.04. **Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Activities and prepare Activities Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Activities Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

- (i) ID Cluster Secretariat has been established, and is demonstrating its ability to effectively coordinate the review process of national priority programs.
- (ii) RC Secretariat has initiated the required preparatory work (elaboration of terms of reference, launch of procurement process) to facilitate the preparation of the Project.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient or any period as agreed in writing with the World Bank. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) General. All goods, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

- (i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods, works and non-consulting services;

- (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and
- (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding, subject to the following additional procedures:
 - (A) Standard bidding documents approved by the World Bank shall be used.
 - (B) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
 - (C) Bids shall not be invited on the basis of percentage premium or discount over the estimated cost.
 - (D) Bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee.
 - (E) Foreign bidders shall not be precluded from bidding.
 - (F) Qualification criteria (in case pre-qualifications were not carried out) shall be stated on the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any hindrance.
 - (G) Bidders may deliver bids, at their option, either in person or by courier service or by mail.
 - (H) All bidders shall provide bid security as indicated in the bidding documents. A bidder’s bid security shall apply only to a specific bid.
 - (I) Bids shall be opened in public in one (1) place preferably immediately, but no later than one (1) hour, after the deadline for

submission of bids.

- (J) Evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format, and within the specified period, agreed with the World Bank.
 - (K) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the World Bank.
 - (L) Split award or lottery in award of contracts shall not be carried out. When two (2) or more bidders quote the same price, an investigation shall be made to determine any evidence of collusion, following which: (I) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (II) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the World Bank.
 - (M) Contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances.
 - (N) Extension of bid validity shall not be allowed without the prior concurrence of the World Bank: (I) for the first request for extension if it is longer than eight (8) weeks, and (II) for all subsequent requests for extensions irrespective of the period in case of prior review.
 - (O) Negotiations shall not be allowed with the lowest evaluated or any other bidders.
 - (P) Re-bidding shall not be carried out without the World Bank's prior concurrence.
 - (Q) All contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.
- (ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.
- (d) Particular Methods of Procurement of Consultants' Services
- (i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
 - (ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those

assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection Based on Consultants' Qualification; (C) Least-Cost Selection; (D) Selection Under a Fixed Budget; (E) Single Source Selection of consulting firms; and (F) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) Record Keeping; Database and Complaints Handling. The Recipient shall establish within eight (8) weeks of the date of this Agreement, and thereafter maintain throughout the period of implementation of the Activities:

- (i) a fully operational procurement documentation and record keeping system, in a manner and substance satisfactory to the World Bank; and
- (ii) a system for the handling of procurement complaints, in a manner and substance acceptable to the World Bank, which system shall include, *inter alia*, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the World Bank's prescribed complaint redress mechanism shall apply.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Non-consultant Services, Consultants’ Services, Training and Workshops, and Incremental Operating Costs under Part A of the Activities	1,510,000	100%
(2) Goods, Non-consultant services, Consultants’ Services, Training and Workshops, and Incremental Operating Costs under Part B of the Activities	1,119,000	100%
TOTAL AMOUNT	2,700,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2013.

Article IV
Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Pashtunistan Watt
Kabul
Islamic Republic of Afghanistan

Facsimile:

93-20-210-3258

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N. W.
Washington, D.C. 20433
United States of America

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

1-202-477-6391

APPENDIX

Section I. Definitions

1. “ID Cluster Secretariat” means the Infrastructure Development Cluster Secretariat to be established and maintained within the Recipient’s Ministry of Public Works, responsible for supporting and monitoring operational, technical, social and financial activities under its Respective Parts of the Activities.
2. “Incremental Operating Costs” means the incremental operating expenses incurred on account of implementation of the Activities, including car rentals, the operation and maintenance of vehicles, office rentals, office supplies, communication charges including internet charges, insurance costs, office administration costs, banking charges, utility charges, advertising expenses, domestic travel and per diem allowances, but excluding salaries of officials of the Recipient’s civil service.
3. “RC Secretariat” means the Resource Corridors Secretariat established and maintained within the Recipient’s Ministry of Mines and Petroleum, responsible for supporting and monitoring operational, technical, social and financial activities under its Respective Parts of the Activities.
4. “Respective Parts of the Activities” means: (a) in respect of the Ministry of Public Works, until such time that the ID Cluster Secretariat is established, and thereafter the ID Cluster Secretariat, Part A of the Activities; and (b) in respect of the RC Secretariat, Part B of the Activities.
5. “Training and Workshop” means the costs associated with the training and workshop participation of personnel involved in Project supported activities, including travel and subsistence costs for training participants, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. The term “Project”, whenever used in the Standard Conditions, is modified to read “Activities” (and related text adjusted for grammatical correctness accordingly).
2. The term “Project Report”, whenever used in the Standard Conditions, is modified to read “Activities Report”.