
ARTF GRANT NUMBER TF0A2839

**Afghanistan Reconstruction
Trust Fund
Grant Agreement**

(Technical Assistance Facility Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Afghanistan Reconstruction Trust Fund

Dated July 18, 2016

**AFGHANISTAN RECONSTRUCTION TRUST FUND
GRANT AGREEMENT**

AGREEMENT dated July 18, 2016, entered into between:

ISLAMIC REPUBLIC OF AFGAHNISTAN ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator ("World Bank"), of the grant funds ("Grant Funds") contributed by various donors (collectively the "Donors") to the Afghanistan Reconstruction Trust Fund (ARTF).

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), constitute an integral part of this Agreement.
- 1.02. 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
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through MOF in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million United States Dollars (\$5,000,000) ("Grant") to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, 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.

**Article IV
Recipient's Representative; Addresses**

- 4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.
- 4.02. 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:

+93202103258
- 4.03. 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

Facsimile: +1-202-477-6391

AGREED at Kabul, Islamic Republic of Afghanistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By




Authorized Representative

Name: Enii Hakiji

Title: Minister

INTERNATIONAL DEVELOPMENT
ASSOCIATION
(acting as administrator of the
Afghanistan Reconstruction Trust Fund)

By



Authorized Representative

Name: Wezi Msisha

Title: Acting Country Director

SCHEDULE 1
Project Description

The objective of the Project is to strengthen the fiscal management and the budget planning performance of the Government of Afghanistan.

The Project consists of the following parts:

Part A: Supporting the Continuous Improvement of the Performance of the Macro Fiscal Performance Directorate General

Strengthening MFPD's institutional capacity, through the provision of necessary skills (technical assistance); office goods and other related operating inputs; and professional development opportunities for MFPD staff, to effectively carry out its mandated activities including, *inter alia*: (a) the carrying out of in-depth studies and analysis contributing towards fiscal policy and macroeconomic management; and (b) secretarial support to the High Economic Council.

Part B: Supporting the Continuous Improvement of Programs Implementation and Coordination General Directorate

Strengthening PICGD's institutional capacity, through the provision of necessary skills (technical assistance); office goods and other related operating inputs, to effectively carry out its mandated activities including, *inter alia*: (a) the preparation of updated, consolidated and costed sector strategies and work plans, and ensuring their alignment with the budget; and (b) secretarial support to the Development Councils and National Priority Programs.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall vest responsibility of the overall implementation and management of the Project in MOF and, to that end, the Recipient, through MOF shall:
 - (a) maintain, at all times during Project implementation, within the MOF's regular structure, a Project implementation team with functions and responsibilities acceptable to the World Bank, including, *inter alia*, the responsibility of said team to coordinate and monitor the implementation of the Project;
 - (b) ensure that, at all times during Project implementation, the PIT shall be headed by a Project manager and provided with sufficient resources and competent professional and administrative staff (including procurement, financial management and Project related technical staff), with the necessary experience and qualifications acceptable to the World Bank, and operating under terms of reference agreed to between the Recipient and the World Bank; and
 - (c) maintain, at all times during Project Implementation, within MOF, a Project Steering Committee to be responsible for *inter alia*: (i) high level coordination and supervision of the Project; (ii) provision of overall guidance to the Project; (iii) deciding on any changes to or additional outputs to be financed by the Project during the first year of project implementation, and on outputs to be targeted in subsequent years. PSC shall consist of the Minister of Finance (or his or her designee) and the respective heads of Directorates of MOF (including MFPD and PICGD). The PSC shall meet at least once every six (6) months.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of 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").

C. Project Documents

1. MOF shall:

- (a) not later than six (6) weeks from the date of this Agreement, furnish to the World Bank for its approval, a Project Operations Manual, satisfactory to the World Bank;
- (b) carry out the Project in accordance with the Project Operations Manual and the Procurement Plan; provided, however that in the event of any conflict between the provisions of any of the foregoing documents on the one hand, and those of this Agreement, on the other hand, the provisions of this Agreement, as applicable, shall prevail; and
- (c) not amend, delete or waive any provision of the aforementioned instruments without prior written agreement thereon between the Recipient and the World Bank.

D. Grievance Redress Mechanism

The Recipient shall maintain throughout Project implementation, a Project grievance redress mechanism, with staffing and operating procedures acceptable to the World Bank, for monitoring and addressing the concerns of people affected by the Project and building public and stakeholder support for the Project.

E. Donor Visibility and Visit

- 1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project through the ARTF.
- 2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donors to visit any part of the Recipient's territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Documents; Records

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

- (a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include:
 - (i) this Agreement, all addenda thereof, and any amendments thereto; (ii)

the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

- (b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donors.

B. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.
2. 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.

C. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project 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.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. 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.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, non-consulting-services and consultants' services required for the Project 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:
 - (a) 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 (revised July 2014) ("Procurement Guidelines") in the case of goods and non-consulting services, and 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 (revised July 2014) ("Consultant Guidelines") in the case of consultants' services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").
2. **Definitions.** The capitalized terms used below in 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.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to additional provisions agreed upon from time to time between the Recipient and the World Bank and set forth in the Procurement Plan; and; (b) Shopping; and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 table in paragraph 2 below.
2. The following 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-consulting services, and consultants' services, Training and Incremental Operating Costs under the Project	5,000,000	100%
TOTAL AMOUNT	5,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date but on or after February, 24, 2016 for Eligible Expenditures.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.

APPENDIX

Definitions

1. "Development Councils" means the thematic committees established by the Recipient to serve as a forum for coordination and collaboration between related ministries for the development of inter-ministerial policy frameworks, costed sector strategies, regulatory rules, and technical design standards.
2. "Government of Afghanistan" means the executive governing body of the Recipient.
3. "High Economic Council" means the ministerial council advising the Government of Afghanistan on economic policy.
4. "Incremental Operating Costs" means incremental costs incurred by the PIT on account of Project implementation, support and management, including office rent and utilities, office and equipment insurance, office maintenance and repair, vehicle rental, maintenance and repair, bank charges, advertising expenses, communication and other administrative costs directly associated with, and necessary under, the Project, but excluding salaries of officials and staff of the Recipient's civil service.
5. "MFPD" means the Recipient's Macro Fiscal Performance Directorate General within MOF, or any successor thereto.
6. "MOF" means the Recipient's Ministry of Finance, or any successor thereto.
7. "National Priority Programs" means the Recipient's sector strategies prepared by its respective ministries with national and international partners in line with the mandate from the 2010 Kabul Conference and the Recipient's National Development Strategy (2008-2013).
8. "PICGD" means the Recipient's Programs Implementation and Coordination General Directorate within MOF, or any successor thereto.
9. "PIT" means the specialized Project implementation team referred to in Section I.A1.(a) of Schedule 2 to this Agreement, to be maintained within MOF for the purposes of providing, until completion of the Project, management, planning, coordination and monitoring support.
10. "Procurement Plan" means MOF's procurement plan for the Project, dated June 26, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines

and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

11. "Project Operations Manual" means the Recipients' Operations Manual, to be adopted and thereafter implemented by MOF in accordance with Section LC(1) of Schedule 2 to this Agreement, for purposes of carrying out the Project, in form and substance satisfactory to the World Bank, setting out the guidelines and procedures for the implementation and supervision of the Project, including inter alia, detailed financial management arrangements under the Project, as such manual may be amended from time to time by agreement between the Recipient and the World Bank.
12. "Project Steering Committee" or "PSC" means the committee to be maintained pursuant to the provisions of Section IA(1)(c) of Schedule 2 of this Agreement.
13. "Training" means non-consultant expenditures incurred by the PIT in connection with the carrying out of workshops and the provision of training, including training institution fees, logistics, materials, study tours, and the cost of travel and per diem of trainers and trainees.