Afghanistan Reconstruction Trust Fund
Grant Agreement

(Kabul Urban Transport Efficiency Improvement Project)

between

ISLAMIC REPUBLIC OF AFGHANISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Afghanistan Reconstruction Trust Fund

Dated April 11, 2014
AGREEMENT dated 11, 2014, entered into between the
ISLAMIC REPUBLIC OF AFGHANISTAN ("Recipient"); and the INTERNATIONAL
DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of 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 Kabul Municipality 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 ninety
million five hundred thousand Dollars ($90,500,000) ("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 ARTF for which the World Bank receives periodic contributions from the Donors to the ARTF. 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 Donor under the ARTF, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

3.04 The amount of the Grant as approved by the ARTF Management Committee accordingly shall be available to the Recipient.

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
first above written.

ISLAMIC REPUBLIC OF AFGHANISTAN

By

Authorized Representative

Name: Omar Zakhilwal
Title: Minister of Finance

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

By

Authorized Representative

Name: Philippe P. de Honéron
Title: Vice President
SCHEDULE 1

Project Description

The objective of the Project is to improve road conditions and traffic flows on selected corridors of Kabul.

The Project consists of the following parts:

Part A: Road Infrastructure

Carrying out investments for the improvement of selected segments of roads in priority city corridors in Kabul, including: (i) rehabilitation of road surfaces, pedestrian walkways and roadside drains; (ii) installation of street lights; and (iii) implementation of road safety and traffic control measures.

Part B: Technical Assistance and Studies

1. Provision of technical assistance to strengthen Kabul Municipality’s capacity to: (i) carry out priority interventions for city center accessibility, including detailed designs for interventions such as fly overs, junction channelization and signalization for alleviating congestion at the city center; (ii) carry out public transport studies, including feasibility study for potential high capacity public transport corridors; (iii) carry out traffic management and road safety capacity building activities targeted at Kabul Municipality’s design department to improve their capacity for traffic engineering; and (iv) increase operation and maintenance productivity of Kabul Municipality and its works and maintenance department.

Part C: Project Management Support

Provision of support to Kabul Municipality to strengthen its institutional and human resources capacity to: (i) improve design review and site supervision; (ii) provide on-the-job training; (iii) promote knowledge sharing through seminars, workshops and studies; and (iv) carry out its Project management and implementation obligations.
SCHEDULE 2

Project Execution

Section I. Implementation and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall vest responsibility of the overall implementation and management of the Project in Kabul Municipality and, to that end, the Recipient, through Kabul Municipality, shall:

   (a) carry out the Project in accordance with the PIM, the ESMF, the RPF, the Financial Management Manual and the Procurement Plan; and shall not amend, delete or waive any provision of the aforementioned instruments without prior agreement thereon between the Recipient and the World Bank;

   (b) maintain, at all times during Project implementation, within Kabul Municipality’s regular structure, a Kabul Urban Transport Efficiency Improvement Project Team with functions and responsibilities acceptable to the World Bank, including, inter alia, the responsibility of said unit to coordinate and monitor the implementation of the Project in accordance with the provisions of the PIM;

   (c) ensure that, at all times during Project implementation, the KUTEI Team shall be adequately staffed with professional and administrative staff (including procurement, financial management, environmental, social and Project related technical staff), with the necessary experience and qualifications acceptable to World Bank, and operating under terms of reference agreed to between the Recipient and the World Bank;

   (d) by no later than November 30, 2014, staff the KUTEI Team with adequate professional and technical civil servants from the Kabul Municipality, with experience and qualifications acceptable to World Bank, and operating under terms of reference agreed to between the Recipient and the World Bank to work, on a full time basis, exclusively on activities related to the implementation of Part B of the Project;

   (e) maintain, at all times during Project implementation, a strategic level committee, headed by the Mayor of Kabul, which shall comprise ministers or deputy ministers from stakeholder ministries, vested with the responsibility of, inter alia, providing strategic direction to the Project;
(f) maintain, at all times during Project implementation, a technical level committee, headed by the Deputy Mayor of Kabul, comprising representatives from the traffic police, the Recipient’s Millie bus and Kabul municipal district offices (one from each), and vested with the responsibility of, inter alia, providing technical coordination among various public institutions on Project related daily technical issues and coordinating the work of consultants and contractors under the Project;

(g) ensure that by no later than June 30, 2016 at least 30% of the civil works under the Project have been carried out in a manner satisfactory to the Word Bank; and

(h) ensure that (i) by no later than September 30, 2015, DWM: prepares the first quarterly Monitoring Financial Report for the purposes of monitoring and supervising the efficiency of DWM to provide road maintenance services; (ii) thereafter prepares such MFRs on a quarterly basis; and (iii) submits, until completion of the Project, each MFR to Kabul Municipality and the World Bank for their review and approval.

2. In the event of any conflict between the provisions of the PIM; the Financial Management Manual; the Procurement Plan; the ESMF and/or the RPF, or any environmental management plan or social management plan or resettlement plan prepared thereunder, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

B. Environment and Social Safeguards

1. The Recipient, through Kabul Municipality, shall carry out the Project in accordance with the ESMF and the RPF.

2. Whenever an environmental management plan, and/or social management plan, and/or resettlement plan is required for any proposed Project activity under the ESMF or RPF, the Recipient, through Kabul Municipality, shall, prior to the commencement of such activity, have such plan(s):

   (a) prepared in accordance with the provisions of the ESMF or RPF, as applicable;

   (b) furnished to the World Bank for review and approval, and thereafter adopted and disclosed; and

   (c) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such plans, in each case in a manner satisfactory to the World Bank.
3. Throughout the period of implementation of the Project, the Recipient, through Kabul Municipality, shall:

(a) maintain monitoring and evaluation protocols and record keeping procedures acceptable to the World Bank and adequate to enable Kabul Municipality and the World Bank to supervise and assess, on an ongoing basis, the implementation of/compliance with the ESMF, the RPF and each environmental management plan, and/or social management plan, and/or resettlement plan prepared thereunder, as well as the achievement of the objectives thereof; and

(b) furnish to the World Bank quarterly reports on the compliance with the ESMF, the RPF and each environmental management plan, and/or social management plan, and/or resettlement plan, prepared thereunder, and the results of the mitigation or benefit enhancing measures applied thereto, during the period preceding the date of each such report.

C. Anti-Corruption

The Recipient, through Kabul Municipality, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient, through Kabul Municipality, 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 the indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, 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, through Kabul Municipality, 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through Kabul Municipality, 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, through Kabul Municipality, 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, through Kabul Municipality, shall have its Financial Statements for the Project 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 fiscal year of the Recipient. 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 Procurement Guidelines in the case of goods and non-consulting services, and Sections I and IV of the 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.

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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions agreed upon
from time to time between the Recipient and the World Bank and set forth in the Procurement Plan; and (c) Shopping.

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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services,</td>
<td>90,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Incremental Operating Costs under the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>90,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this Section IV:

(a) the term “Training” means non-consultant expenditures incurred by the KUTEI Team 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; and

(b) the term “Incremental Operating Costs” means incremental costs incurred by the KUTEI Team on account of Project implementation, support and management, including, incremental staff for the KUTEI Team, performance-based incentives for civil servants working as part of the KUTEI Team, office rent and utilities, office and equipment insurance, office maintenance and repair, vehicle maintenance and repair, communication, advertising expenses, bank charges 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.

**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 $15,000,000 equivalent may be made for payments made prior to this date but on or after September 15, 2012 for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2019.
APPENDIX

Definitions

1. "Affected Persons" means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


3. “ARTF Management Committee” means the committee established pursuant to Section 5 of the standard terms and conditions governing contributions to the Afghanistan Reconstruction Trust Fund (TF no. 050576), responsible for, inter alia, overseeing the activities of the Trust Fund and for resource allocation decisions with respect to the Grant Funds.


5. “DWM” means the “Department of Works and Maintenance of the Kabul Municipality” (as hereinafter defined), or any successor thereto.

6. “ESMF” means the Recipient’s Environment and Social Management Framework, acceptable to the World Bank, disclosed on December 1, 2013, and set forth as an annex to the PIM (as hereinafter defined), describing a framework and screening criteria applicable to activities proposed to be supported under the Project, designed to maximize the social and environmental benefits accruing under the Project and avoid or mitigate any adverse impacts, and such term includes all schedules and agreements supplemental to the ESMF, including any environmental management plans, and/or social management plans, and/or resettlement plans prepared pursuant to the ESMF; as such ESMF may be amended from time to time by agreement between the Recipient and the World Bank.

7. “Financial Management Manual” means the financial management manual prepared by Kabul Municipality and set forth as an annex to the PIM (as hereinafter defined), which manual provides for the financial management obligations under the Project, as such manual may be amended from time to time by agreement between the Recipient and the World Bank.

9. “Kabul Municipality” means the municipality of Kabul, established and operating under the laws of the Recipient, or any successor thereto acceptable to the World Bank.

10. “Kabul Urban Transport Efficiency Improvement Project Team” or “KUTEI Team” means the means specialized Project management team referred to in Section I.A1.(b) of Schedule 2 to this Agreement, to be maintained within Kabul Municipality for the purposes of providing, until completion of the Project, management, planning, coordination and monitoring support.


12. “PIM” means the Project Implementation Manual, adopted by Kabul Municipality, acceptable to the World Bank, dated November 15, 2013, which describes the detailed Project implementation and institutional arrangements, and the detailed criteria for the incentive payment mechanism for the civil servants working as part of the KUTEI Team, and is comprised of, among others, the ESMF, the RPF (as hereinafter defined), and the Financial Management Manual, as such manual may be amended from time to time by agreement between the Recipient and the World Bank.


14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 10, 2014 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.

15. “RPF” means the Recipient’s Resettlement Policy Framework, acceptable to the World Bank, disclosed on December 1, 2013, and set forth as annex to the PIM which sets forth, inter alia, the principles and objectives governing preparation and implementation for resettlement of Affected Persons, including eligibility criteria for persons affected under the Project, compensation, assistance, rehabilitation and resettlement entitlements and a description of the process for preparing and approving resettlement plans under the Project, as such plan may be amended from time to time by agreement between the Recipient and the World Bank.