

No. 17259

**UNITED STATES OF AMERICA
and
AFGHANISTAN**

**Project Grant Agreement for Central Helmand Drainage
(Phase II) Project (with annex). Signed at Kabul on
29 August 1977**

Authentic text: English.

Registered by the United States of America on 24 November 1978.

**ÉTATS-UNIS D'AMÉRIQUE
et
AFGHANISTAN**

**Accord de don relatif à la deuxième phase du Projet de
drainage du Helmand central (avec annexe). Signé à
Kaboul le 29 août 1977**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 24 novembre 1978.

PROJECT AGREEMENT¹ BETWEEN THE DEPARTMENT OF STATE, AGENCY FOR INTERNATIONAL DEVELOPMENT (AID), AN AGENCY OF THE GOVERNMENT OF THE UNITED STATES OF AMERICA, AND THE MINISTRY OF WATER AND POWER

AN AGENCY OF THE GOVERNMENT OF AFGHANISTAN

The above-named parties hereby mutually agree to carry out a project in accordance with the terms set forth herein and the terms set forth in any annexes attached hereto, as checked below:		1. Project/Activity No. 306-0149	
<input checked="" type="checkbox"/> PROJECT DESCRIPTION ANNEX A	<input type="checkbox"/> FOREIGN CURRENCY STANDARD PROVISIONS ANNEX	2. Agreement No. CHD (II) #1	3. <input checked="" type="checkbox"/> ORIGINAL OR REVISION NO.____
<input checked="" type="checkbox"/> STANDARD PROVISIONS ANNEX ²	<input type="checkbox"/> SPECIAL LOAN PROVISIONS ANNEX	4. Project/Activity Title CENTRAL HELMAND DRAINAGE PHASE II	
This Project Agreement is further subject to the terms of the following agreement between the two governments, as modified and supplemented:		5. Project Description and Explanation (See Annex A attached)	
<input checked="" type="checkbox"/> GENERAL AGREEMENT FOR TECHNICAL COOPERATION	Date 02-07-1951 ³		
<input checked="" type="checkbox"/> ECONOMIC COOPERATION AGREEMENT	Date 06-23-1956 ⁴		
<input type="checkbox"/> (other) TC Program Agreement as amended	Date 06-30-1953 ⁵	6. AID Appropriation Symbol 72-11 x 1023	7. AID Allotment Symbol 402-50-306-00-69-71

¹ Came into force on 29 August 1977 by signature.

² Not published herein. For the text of the Standard Provisions Annex, see "Project Grant Agreement for applied science and technology research" in United Nations, *Treaty Series*, vol. 1116, No. I-17267.

³ See "Point Four General Agreement for technical co-operation" in United Nations, *Treaty Series*, vol. 132, p. 265, and vol. 177, p. 341.

⁴ See "Exchange of notes constituting an agreement relating to economic development" in United Nations, *Treaty Series*, vol. 271, p. 295.

⁵ See "Program Agreement for technical co-operation" in United Nations, *Treaty Series*, vol. 215, p. 3, and vol. 1075, No. A-2908.

8. AID Financing

	<i>Previous total</i>	<i>Increase</i>	<i>Decrease</i>	<i>Total to Date</i>
<input checked="" type="checkbox"/> DOLLARS <input type="checkbox"/> LOCAL CURRENCY	(A)	(B)	(C)	(D)
(a) Total		\$9,538,000		\$9,538,000
(b) (PASA)		955,000		955,000
Participants		110,000		110,000
(c) Commodities		7,005,000		7,005,000
(d) Other Costs FAR		1,468,000		1,468,000

9. Cooperating Agency Financing-Dollar Equivalent

\$1.00 =

- (a) Total
- (b) Technical and other Services .
- (c) Commodities
- (d) Other Costs

10. Special Provisions (*Use Additional Continuation Sheets, if Necessary*)

This Project Agreement describes in detail the objectives and implementation activities of a \$19,299,000 Phase II project over 4 years and provides a first installment of funding of \$9,538,000. Subsequent funding installments are subject to the availability of funds.

11. Date of Original Agreement August 29, 1977	12. Date of this Revision	13. Estimated Final Contribution Date December 31, 1981
14. For the Cooperating Government or Agency: <i>Signature: See page 307</i> <i>Date:</i> <i>Title:</i>	15. For the Agency for International Development: <i>[Signed]</i> <i>Signature: CHARLES R. GRADER</i> <i>Date: 8/29/77</i> <i>Title: Director, USAID/A, Kabul</i>	

PROJECT GRANT AGREEMENT BETWEEN THE REPUBLIC OF AFGHANISTAN AND THE UNITED STATES OF AMERICA FOR CENTRAL HELMAND DRAINAGE (PHASE II) PROJECT

Dated: August 29, 1977

A.I.D. Project Number 306-0149
A.I.D. Appropriation Symbol 72-11X1023
A.I.D. Allotment Symbol 402-50-306-00-69-71

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PROJECT GRANT AGREEMENT BETWEEN THE REPUBLIC OF AFGHANISTAN ("Grantee") AND THE UNITED STATES OF AMERICA, ACTING THROUGH THE AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Dated: August 29, 1977

A.I.D. Project No. 306-0149

Article 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the

Project described below, and with respect to the financing of the Project by the Parties.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of assisting the Grantee in: 1) expanding its drainage construction capabilities; 2) providing adequate drainage to approximately 130 km² of farm land in the Upper Boghra, Nad-i-Ali, Marja, Shamalan and Darweshan areas of the Central Helmand Valley; 3) broadening farmer understanding and participation in the drainage effort; 4) advancing planning for a possible Phase III project; and 5) establishing an effective equipment maintenance and supply program for drainage construction equipment. Annex I, attached, amplifies the definition of the Project contained in this Section 2.1. Within the limits of the definition of the Project in this Section 2.1., elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2 without formal amendment of this Agreement.

Section 2.2. INCREMENTAL NATURE OF PROJECT. (a) A.I.D.'s contribution to the Project, which is planned to be U.S. \$19,299,000, will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3. FINANCING

Section 3.1. THE GRANT. (a) To assist the Grantee to meet the first year's costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed nine million five hundred thirty-eight thousand United States ("U.S.") dollars (\$9,538,000) ("Grant").

(b) The Grant shall be used to finance: (i) the purchase of construction machinery, equipment and supplies, including insurance and delivery to Kandahar, as well as related services needed in the excavation and construction phase of the Project, (ii) the reimbursement, on a percentage of actual costs as defined in Annex I for the construction and rehabilitation of main, submain, pickup and farm drains and structures, (iii) technical assistance services, (iv) training of Government or Afghanistan personnel and participants, and (v) Project related ancillary supplies and equipment for the Helmand Arghandab Valley Authority (HAVA).

(c) Except as A.I.D. may otherwise agree in writing, (i) machinery, equipment and supplies and related services under subsection (b) (i) above shall be of United States source and origin and shall be financed under the terms of Section 7.1., (ii) construction work performed under subsection (b) (ii) above shall be reimbursed under the terms of Section 7.2., (iii) goods and services financed

under subsections (b) (iii), (iv) and (v) shall be financed, as the case may be, under the terms of Section 7.1 or Section 7.2.

Section 3.2. GRANTEE RESOURCES FOR THE PROJECT. (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner in accordance with the financial plan described in Annex 1.

(b) The resources provided by Grantee for the life of the Project will be not less than the equivalent of U.S. \$3.64 million*, including costs borne on an "in-kind" basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is December 31, 1981, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters are to be received by A.I.D. or any bank described in Section 7.1 no later than six (6) months following the PACD, or such other period as the Parties may agree to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. CONDITIONS PRECEDENT TO FIRST DISBURSEMENT

Section 4.1. DISBURSEMENT. Prior to the first disbursement of the Grant, or to the issuance by A.I.D. of documentation pursuant to which the first disbursement of the Grant will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Chief Legal Officer of the Republic of Afghanistan or of other counsel acceptable to A.I.D. that this Agreement and the associated Letter Agreement of same date have been duly authorized and/or ratified by, and executed on behalf of the Grantee, and that they constitute a valid and legally binding obligation of the Grantee in accordance with all of their terms;
- (b) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2. and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) Evidence that at least eighty percent (80%) of both farm and main drain construction in Phase I has been completed. Those segments of work covered by Letters of Understanding which are entirely completed as part of this 80%

* \$1 = 50 Afghanis.

must have been certified and requests for reimbursement must have been made by the Grantee to A.I.D.;

- (d) A written protocol between the Ministry of Water and Power and the Helmand Construction Company (HCC) which will establish responsibility for construction and/or related services for the Project under contracts to be subsequently negotiated with HAVA. Such protocol will include a description of the equipment and of the organizational structure of the staff, including number and job titles required to carry out the Project and an agreement on the part of the contractor not to remove, without replacement, any of such equipment or staff from the Project area, unless both the representative of the Grantee and A.I.D. agree in writing;
- (e) A detailed procurement plan indicating commodities to be procured, the procuring agency, and the proposed arrangements for carrying out the procurement, including details of Grantee arrangements for transportation and insurance from Karachi Port to Chah-i-Anjir;
- (f) Procedures that HCC will follow in mobilizing and managing labor for and implementing farm drain construction;
- (g) Evidence that HAVA shall have adequate staff, equipment and supplies available to carry out the Project;
- (h) Evidence of establishment of a socio-economic research and evaluation unit within the Planning and Statistics Department of HAVA to conduct socio-economic analyses needed to carry out the Project;
- (i) Such other evidence or documents as A.I.D. may reasonably require.

Section 4.2. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in Section 4.1. have been met, it will promptly notify the Grantee.

Section 4.3. TERMINAL DATE FOR CONDITIONS PRECEDENT. If all of the conditions specified in Section 4.1. have not been met within one hundred and twenty (120) days from the date of this Agreement, or such later date as the Parties may agree to in writing, A.I.D. may terminate this Agreement by written notice to Grantee.

Section 4.4. SOIL CONSERVATION SERVICE (SCS) ADVISORS. Notwithstanding any other provision of this Agreement, the grant may be used to finance contract services of the SCS advisors prior to the satisfaction of the conditions precedent in Section 4.1.

Article 5. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project in accordance with Annex 1. Except as the Parties otherwise agree in writing, the evaluation program will include: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Section 5.2. CONSTRUCTION WORK. Except as the Parties may otherwise agree in writing, the Grantee covenants:

- (a) No main, submain, pickup or farm drain construction work shall be eligible for reimbursement under this Agreement unless the particular construction work is covered by a Project Implementation Letter duly negotiated and signed by the USAID Director and the Project Director before construction work commences.
- (b) In order for main, submain, pickup and farm drain construction work to be eligible for reimbursement under this Agreement, the following selection criteria must be satisfied before construction work commences:
 - (1) Design criteria have been met and construction drawings and specifications have been developed for the work and approved by A.I.D.,
 - (2) Selection of a given work area has been based on agreed socio-economic criteria (e.g., economically determined to be worth draining, of benefit to small farmers), as determined by a survey of the farmers to be affected by the farm drain construction,
 - (3) Adequate maintenance plans have been established for main, submain, pickup and farm drains, and
 - (4) Farmers have been informed about Project methods and goals and a majority of farmers in a given work area have agreed to the construction of farm drains, to maintain the improvements after they are carried out, and to participate in the leaching and water-use improvement program.

Section 5.3. EQUIPMENT AND SUPPLIES. The Grantee will assure that all construction equipment and supplies financed under the Grant shall be titled in HCC and shall be used for the Project and related land-betterment activities in the Project area.

Section 5.4. AERIAL PHOTOGRAPHY FOR SOIL SURVEY AND PLANNING. The Grantee will assure that copies of all existing aerial photographs of the Project area are made available and that all necessary authorizations are provided to facilitate the conduct of new aerial photography, to be financed under the Grant, over the Project area which is required for Project purposes such as soil survey and planning.

Section 5.5. LOGISTIC SUPPORT. The Grantee will continue to provide logistic support satisfactory to A.I.D., such support including not less than 15 housing units, the staff house complex, office space, motor pool, storage and related facilities for USAID personnel in Lashkar Gah.

Section 5.6. TAXATION. In addition to the provisions of Annex 2, Section B.4. (b), the Grantee specifically agrees that any non-Afghan personnel and any commodity procurement transaction financed under the Grant shall be exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in Afghanistan.

Section 5.7. PERSONNEL REPLACEMENT. The Grantee assures that Project staff will be supplemented by professional personnel as needed to replace participants during training outside the country in order to meet scheduled Project work.

Section 5.8. ACCESS TO PROJECT. The Grantee will cooperate with A.I.D. to facilitate examination of Project activities and will permit representatives of A.I.D. to visit the project areas for purposes relating to this Grant.

Article 6. PROCUREMENT SOURCE

Section 6.1. FOREIGN EXCHANGE COSTS. Disbursement pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States, i.e. Code 000 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing and except as provided in the Project Grant Standard Provisions Annex, Section C.1 (b) with respect to marine insurance.

Section 6.2. LOCAL CURRENCY COSTS. Disbursements pursuant to Section 7.2 will be used exclusively to finance the cost of goods and services required for the Project which have their source in normal commercial channels in Afghanistan ("Local Currency Costs").

Article 7. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (a) requests for reimbursement for such goods or services, or (b) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or,
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (a) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (b) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS. (a) After satisfaction of conditions precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs of the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

Section 7.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.4. RATE OF EXCHANGE. If funds provided under the Grant are introduced into Afghanistan by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Afghanistan at the highest rate of exchange which, at the time of conversion, is not unlawful in Afghanistan.

Article 8. MISCELLANEOUS

Section 8.1. COMMUNICATIONS. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee:

Mail Address:

Planning Department
Ministry of Water and Power
Block No. 13
Micro Royan
Kabul, Afghanistan

Cable Address:

Planning Department Telex No. 44 NWP-Af.
Ministry of Water and Power
Kabul, Afghanistan

To A.I.D.:

Mail Address:

USAID Mission to Afghanistan
c/o American Embassy
Kabul, Afghanistan

Cable Address:

USAID
Kabul, Afghanistan

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 8.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of President of Planning Department, Ministry of Water and Power, and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID Mission to Afghanistan, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument

signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. STANDARD PROVISIONS ANNEX. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.¹

IN WITNESS WHEREOF, the Republic of Afghanistan and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Republic of Afghanistan:

Signature: [Signed]

Printed Name: ALI AHMAD KHURRAM

Title: Minister of Planning

United States of America:

Signature: [Signed]

Printed Name: J. BRUCE AMSTUTZ

Title: Chargé d'affaires ad interim

A N N E X 1

ANNEX 1. DETAILED PROJECT DESCRIPTION

A. PURPOSE

The purpose of this Project is to reduce salinity and waterlogging throughout 130 square kilometers of farm land in Upper Boghra, Nad-i-Ali, Marja, Shamalan, and Darweshan by June 1980. Underlying this purpose is the mutual desire of the Parties to increase agricultural productivity, income and employment among the estimated 2,580 farm families in the area that will benefit from this Project.

B. IMPLEMENTATION

In order to achieve the Project purpose and to have the desired impact on agriculture, the Project will undertake the following:

1. HAVA capabilities will be expanded in the areas of planning, design, field data collection and analysis, construction supervision, socio-economic research and evaluation, farmer information, and project related administration.

To this end:

a. Qualified staff will be added to HAVA and/or trained as follows:

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Total</i>
Present Staff	104			
Number New Staff	53	81	30	164
Total Available Staff	157	238	268	268
Number Staff Trained	48	21	35	104

¹ For the text of the Standard Provisions Annex, see "Project Grant Agreement for applied science and technology research" in United Nations, *Treaty Series*, vol. 1116, No. 1-17267.

- b. Adequate field data for planning and design will be collected at least three months in advance of the planned date for completion of designs;
- c. Drawings and specifications will be available at least three months before contracts are scheduled to be signed;
- d. Adequate construction supervision will be provided to ensure compliance with approved plans and specifications;
- e. The planned numbers of laborers for farm drain construction will be recruited and effectively utilized and managed;
- f. The Socio-Economic Research and Evaluation Unit will provide data to support final project area selection before work is started, as well as analyses of drainage impact on farmers' productivity and income;
- g. A reference library of engineering and soils-related materials will be established by June 1979; and
- h. The soils laboratory will be fully staffed and equipped for Phase III requirements by June 1979.

2. Drains will be improved or constructed in accordance with established technical, economic, and social criteria as scheduled below:

	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Total</i>
a. areas drained (km ²)	22	39	69	130
b. farm drains completed (kms)	210	400	650	1,260
c. main drains completed (kms)	70	55	153	278
d. land smoothed (km ²)	5	9	10	24

3. A farmer drainage-related information program will be tested and in operation by September 1978, reaching farmers whose lands are being drained in Phase II, and a farmer information program for Phase III will be designed by November 1979.

4. At least 75 percent of the farmers affected by Phase I and Phase II drains will participate in a leaching program guided by HAVA.

5. Soils handbook and maps for Phase I and Phase II will be completed by September 1978, and for Phase III by December 1979.

6. A shared HAVA/farmer drain maintenance program will be established.

7. An updated and revised version of the Master Drainage Plan will be completed and issued by May 1979, based upon more complete field data.

8. A Phase III construction plan including identification of areas to be drained and conceptual designs will be issued in draft by July 1979 and in final form by October 1979.

To this end:

- a. Maintenance schedules for both farm and main drains will be established by the end of the Project; and
- b. At least 90 percent of affected farmers will have signed farm drain maintenance agreements with HAVA.

9. An effective equipment maintenance and supply program will be established to keep existing and new equipment operational for drain construction.

C. RESPONSIBILITIES

1. Related to Upgrading HAVA Capabilities

- a. SCS will advise the HAVA staff on planning, design, field data collection and analysis, construction, and administration on a continuing basis;

6. Related to Maintenance Program
HAVA will:
 - a. Identify respective maintenance responsibilities among HAVA, HCC and farmers;
 - b. Obtain farmer agreements before starting farm drain work;
 - c. Set up maintenance schedules for drains; and
 - d. Monitor implementation.
7. Related to updating Master Drainage Plan
HAVA, SCS and USAID will:
 - a. Update data base in first Master Drainage Plan; and
 - b. Revise drain design criteria as appropriate.
8. Related to Phase III Construction Plan
HAVA and SCS will:
 - a. Determine areas to be worked and develop conceptual designs;
 - b. Specify labor and equipment needs and cost estimates and production rates; and
 - c. Develop implementation schedule (e.g., bar chart).
9. Related to Equipment Maintenance
 - a. HCC will finalize an inventory control and procurement system; and
 - b. HCC will observe regular servicing schedule for all equipment.

D. MEASUREMENT OF PROJECT SUCCESS

Achievement of the Project's purpose will be measured against the following indicators:

1. The areas drained in Phase I and in the first year of Phase II should show the water table lowered to design depths and the salinity of the drain water reduced to acceptable levels given the cropping patterns in the given area. (An acceptable range of salinity levels would be between 1,000 parts per million and 1,500 parts per million.) Phase I and the first year of Phase II work have been selected for measuring purposes to allow sufficient time during Phase II to collect necessary field data and measure the full effect of drain installation on the water table and salinity levels. The salinity levels, especially, will help gauge the effectiveness of leaching the salts from the land.
2. In the areas defined in I above, average yields should improve by at least 20 percent. This is considered the minimum acceptable target to justify, on an economic basis, undertaking drainage construction, especially in areas requiring close farm-drain spacing. Analyses by the Socio-Economic Research and Evaluation Unit to be set up within HAVA, as well as updating of the Farm Economic Survey, will assure easy measurement of progress toward this indicator.
3. An estimated 1,000 hectares of occupied land will be brought into or returned to production as a result of adequate drainage. The Socio-Economic Research and Evaluation Unit will provide the data necessary to measure how much land is actually brought back into production during Phase II.

E. PROJECT EVALUATION

The Grantee and USAID agree to undertake three evaluations during the course of the Project:

1. A routine evaluation will be completed no later than one year after satisfaction of the conditions precedent primarily to assess the progress in meeting scheduled targets and to identify any problem areas or constraints encountered during the first ten months

of project implementation. This evaluation, to be conducted jointly among representatives of the Ministry of Water and Power, HAVA and USAID, should identify and recommend specific actions to overcome any deficiencies in Project design or implementation plans. The evaluation findings and recommendations should be reflected in the FY 1979 Project Agreement Amendment.

2. An in-depth, special evaluation will be conducted no later than two years after satisfaction of the conditions precedent *a)* to measure progress toward achieving Project objectives and meeting scheduled targets; and *b)* to assess Grantee capabilities for an expanded Phase III. The main purpose of this evaluation should be to document the implementation experience and Project performance in sufficient detail to permit a decision on whether to proceed with designing an expanded Phase III effort and to make recommendations, if appropriate, on the steps required before a Phase III can begin. This evaluation should be performed jointly by the Grantee and USAID, with or without outside assistance, as deemed appropriate at the time. This evaluation might be patterned after the evaluation methodology used in the Phase I evaluation, which proved so helpful in paving the way for this Phase II.
3. An evaluation will be carried out no later than September 1981 to measure the Project's impact on agricultural productivity, income and employment in the Project area. This evaluation should compare the relevant data from the Farm Economic Survey of 1976, used in identifying the beginning of Project status, against the data generated from the 1980 or 1981 Farm Economic Survey. If a Phase III is being implemented, this evaluation should be jointly handled by the Project participants. Otherwise, the Socio-Economic Research and Evaluation Unit of HAVA in cooperation with USAID should perform this important evaluation in order to validate or disprove the hypothesis: that reduced waterlogging and salinity will increase agricultural productivity, income and employment among small farmers in the Project area.

F. PROCEDURES

1. *Methods of Financing Reimbursement for Contract Construction Costs*

Reimbursement for drainage construction to HCC will be based on reasonable, actual costs. Actual cost shall be defined as preagreed unit prices multiplied by the actual quantities of work performed in accordance with contract drawings and specifications.

Under no circumstances will the drainage construction cost per hectare exceed 57,000 Afghanis.

Main Drains will be constructed primarily by HCC under contracts with HAVA. All such contracts will be submitted to USAID for review and approval before construction of the applicable section of main drains is undertaken. These contracts will include unit costs for excavation of various types of soils, unit costs of structures, and estimated quantities based on designs and specifications included in the contract. USAID will review the provisions of these contracts and determine the reasonableness of unit costs before indicating its approval through the issuance of Project Implementation Letters. Contractor performance will be inspected and monitored by SCS engineers who will ascertain if excavation and construction are accomplished in accordance with approved construction drawings and specifications. The HAVA engineers will determine the actual quantities of work performed and these in turn will be reviewed and approved by USAID engineers. On receipt of the USAID Chief Engineer's certification of completion, USAID will reimburse 75 percent of the actual costs as determined by application of the preagreed unit prices to the final accepted quantities. Reimbursement will be in the form of U.S. dollar checks payable to HCC.

Farm Drains will be constructed by HCC using primarily hand labor under contracts with HAVA. HCC will make suitable arrangements with laborers and farmers for the excavation of farm drains. SCS/USAID will review and approve such arrangements

which will include a fixed cost per cubic meter of excavation for given segments of work. Changes in the cost per cubic meter may be proposed by HAVA and approved by SCS/USAID engineers. Upon the USAID Chief Engineer's certification, USAID will reimburse 75 percent of the actual costs as determined by application of the preagreed unit prices to the final accepted quantities. Reimbursement will be in the form of U.S. dollar checks payable to HCC.

2. Depreciation as a Component of Contract Costs

Equipment depreciation is a major component of unit costs charged by the contractor. At present, the depreciation component is based on guidelines established by equipment manufacturers for renovated equipment. As Phase II implementation proceeds, equipment financed by AID under the Project Agreement will be used by HCC in lieu of the equipment presently in use. To avoid double payment for depreciation of the new equipment, AID financing of construction costs charged by HCC for work done with the new equipment will exclude depreciation costs.

3. Equipment needed to Implement the Project

The following is an illustrative list of equipment needed to implement the Project.

Provision of equipment for years one and two, or until such earlier time as newly purchased equipment is put into service on the Project, will necessarily be the responsibility of the Grantee from its own resources, in view of the lead time required in purchasing new equipment. It is anticipated that third-year requirements will be met through procurement in accordance with the procurement plan agreed to under Section 4.1 (f) of this Agreement, covering those commodities not available through Grantee resources.

MAJOR EQUIPMENT NEEDS

Item No.	Description	Needed years 1 and 2	Required year 3	On hand at HCC	To be purchased new
1.	Dragline, 30-ton, 1 and 1½ cu. yd.	2	8	3	8
2.	Dragline, 40-ton, 2 cu. yd.	4	5	4	5
3.	Bulldozer, 300 HP (D 8 K)	2	2	^{s1} 1	2
4.	Bulldozer, w/ripper, 415 HP (D 9 K)	1	2	1	2
5.	Grader, (CAT 140G)	2	4	2	4
6.	Ditcher, Wheel/Bucket-Type	1	1	1	1
7.	Excavator (Gradeall 1000)	3	3	^{s1} 3	3
8.	Backhoe (MF 50 B)	0	5	0	5
9.	Backhoe, With Air Hammer (MF 450 D and MF 450 LDC)	0	2	0	2
10.	Loader, Front End, Wheel-Type	1	1	1	1
11.	Slope Mower, Telescopic Boom Tractor Mounted	4	4	^{s0} 4	4
12.	Crane, Truck Mounted, 25-ton	2	2	^{s1} 2	2
13.	Truck-Tractor, GVW-83,000	2	2	2	2
14.	Trailer, Low-Bed, 60-ton	2	2	2	2
15.	Air Compressor, 365 CFM, Trailer-Mount	1	2	2	2
16.	Air Compressor, 500 CFM, Trailer-Mount	1	1	^{s0} 1	1
17.	Water Pump, 6 Inch	2	2	^{s1} 2	2
18.	Water Pump, 4 Inch	2	3	^{s0} 3	0
19.	Water Pump, 2 Inch	5	5	^{s1} 5	5
20.	Sludge Pump, 4 Inch, Wheel Mounted ..	1	2	1	2
21.	Mobile Machine Shop	2	3	^{s1} 3	2 EP

Item No.	Description	Needed years 1 and 2	Required year 3	On hand at HCC	To be purchased new
22.	Lathe, Metal, 36 Inch Swing	1	1	0	1
23.	Ditch Cleaning Machine (Briscoe)	1	2	1	2
24.	Lubricator Truck	2	4	2	2
25.	Concrete Mixer 11 cf	0	1	0	0
26.	Welding Machine	2	5	2	3
27.	Truck, Mobile Shop, 3-Ton	2	5	2	3
28.	Fuel Tank Truck	2	4	5	0
29.	Dump Trucks, 10 cu. yd.	5	5	5	0
30.	Bus, 55-Passenger	3	3	^s 2	0
31.	Pick-up Trucks, 6-Passenger	5	10	^s 1	0
32.	Scraper (CAT 621)	2	2	^s 0	0
33.	Wagon Drill, Complete	2	2	^s 0	0
34.	Jack Hammers, Complete	6	6	^s 0	6
35.	Mobile Radio (Field Units)	3	3	^s 0	0

^s Equipment shortage at Chah-i-Anjir.

G. FINANCIAL PLAN

1. CENTRAL HELMAND DRAINAGE—PHASE II

PROJECT INPUTS BY A.I.D.

AID Project No. 306-0149

Incrementally Funded Project by U.S. Fiscal Year

	This Project Agreement FY 1977	Anticipated Obligation in Future Years			
		FY 1978	FY 1979	FY 1980	Total
1. Technical Assistance	955,000	611,000	658,000	700,000	2,924,000
Inflation Factor (5%)*	—	30,000	33,000	—	63,000
Sub-total	955,000	641,000	691,000	700,000	2,987,000
2. Participant Training	110,000	151,000	207,000	—	468,000
Inflation Factor (5%)*	—	8,000	10,000	—	18,000
Sub-total	110,000	159,000	217,000	—	486,000
3. Reimbursement for Construction (75% of Actual Cost)** ..	1,219,000	1,750,000	4,305,000	—	7,274,000
Contingency	249,000	321,000	392,000	—	962,000
Inflation Factor (5%)	—	104,000	481,000	—	585,000
Sub-total	1,468,000	2,175,000	5,178,000	—	8,821,000
4. Equipment and Supplies	6,670,000	—	—	—	6,670,000
Inflation Factor (5%)	335,000	—	—	—	335,000
Sub-total	7,005,000	—	—	—	7,005,000
TOTAL	\$9,538,000	2,975,000	6,086,000	700,000	19,299,000

* 1978. Inflation component integrated into cost figures for first year of Project except for equipment and supplies.

** As defined in Section F, Procedures, of Annex 1.

[H.] CENTRAL HELMAND DRAINAGE—PHASE II

REQUIRED USAID PERSONNEL INPUTS

<i>Personnel Title</i>	<i>FY 78 Man Months</i>
USAID Project Manager	9
USAID Heavy Equipment Advisor	12
SCS Team Leader	12
SCS Drainage Planning Advisor	9
SCS Design Advisor	9
SCS Design Advisor	9
SCS Soils Advisor	12
SCS Soils Mapping Advisor	9
SCS Water Use Advisor	9
SCS Long Range Planning Advisor	9
SCS Construction Advisor	12
SCS Administrative Officer	9
SCS Consultants	12

I. CENTRAL HELMAND DRAINAGE—PHASE II

PROJECT INPUTS BY THE GOA

Estimated HAVA Budgets Required to Complete Phase I of the Central Helmand Drainage Project and for Phase II

	<i>Millions of Afghanis</i>				
	<i>1356</i>	<i>1357</i>	<i>1358</i>	<i>1359</i>	<i>Total</i>
<i>Afghan Fiscal Year^a</i>					
Personnel ^b	5.09	8.10	10.14	2.64	25.97
Technical Divisions	4.57	6.90	8.31	2.14	21.92
Agricultural Extension	0.11	0.14	0.14	0.04	0.43
Planning and Statistics	0.21	0.37	0.41	0.10	1.09
Inflation Factor (5%) ^c	0.20	0.69	1.28	0.36	2.53
Vehicle Operating Costs ^d	2.92	3.77	4.35	1.12	12.16
Technical Divisions	2.50	2.97	3.22	0.81	9.50
Agricultural Extension	0.08	0.18	0.28	0.08	0.62
Planning and Statistics	0.23	0.30	0.30	0.08	0.91
Inflation Factor (5%) ^c	0.11	0.32	0.55	0.15	1.13
Construction	92.32	131.68	295.16	86.30	605.46
Labor ^e	12.57	16.50	22.50	6.00	57.57
Other ^f	68.25	90.09	221.92	65.75	446.01
Contingency ^g	11.50	12.59	24.42	7.17	55.68
Inflation Factor ^h		12.50	26.32	7.38	46.20
TOTAL	100.33	143.55	309.65	90.06	643.59

NOTES TO TABLE

^a 3/4-1/4 distribution was used in allocating expenditures to Afghan years from Project years. To illustrate, the direct labor costs under the construction category are estimated at 12, 18 and 24 million Afghanis respectively for the first, second and third Project years; and 0.75(12), 0.25(12) + 0.75(18), 0.25(18) + 0.75(24) and 0.25(24) were allocated to years 1356-1359 respectively. Similarly for contingencies, inflation, etc.

^b Includes overhead costs except for vehicles. Average salary estimated at Afs 26,150/year. Adding all overhead costs (30 percent of salaries) except transportation gives approximately Afs 34,000.

^c Phase II only. Base year is July 76-July 77.

^d Average of 25,000 kms/vehicle/year at Afs 5/km.

^e Average of 1000, 1500, 2000 laborers during Project years 1, 2 and 3 respectively; Afs 50/day; 240 days/year. Includes Afs 3.58 million as estimate of costs completing Phase I during first quarter of 1356.

^f Includes Afs 20.00 million as estimate of cost of completing Phase I during first quarter of 1356.

^g No allowance for completion of Phase I. Contingency is 20 percent of construction cost for first Project year (July 77-July 78) and 10 percent for each of the following two years.

^h No allowance for completion of Phase I. Inflation element for Project year I integrated in cost element for that year. A rate of 13.0 percent is assumed for the second Project year, using July 77-July 78 as the base year. In Project year 3, prices are assumed to be approximately 10 percent higher than base year prices.

CENTRAL HELMAND DRAINAGE—PHASE II

ESTIMATE OF NET GOA CONTRIBUTION

A. GOA Contribution to Phase II

Millions of Afghanis

	1356	1357	1358	1359	Total
<i>Afghan Fiscal Year</i>					
Budget Estimates of HAVA, Phases I and II ^a	100.33	143.55	309.65	90.06	643.59
Less Phase I Costs ^b	25.09	—	—	—	25.09
Less USAID Reimbursement . .	51.56	98.76	221.37	64.73	436.42
Equals GOA Net Contribution to Phase II	23.68	44.79	88.28	25.33	182.08

B. GOA Contribution as a Percent of Total Phase II Cost

	Afs Millions	\$100s
GOA Net Contribution to Phase II ^c	182.08	3,642
USAID Contribution to Phase II ^{c, d}	960.30	19,206
TOTAL COST	1,142.38	22,848
GOA Net Contribution as a Percent of Total Phase II Cost		16%

NOTES TO TABLE

^a Source: See immediately preceding table.

^b Labor bill for hand-digging drains, Afs 3.58 million; other construction costs, Afs 20.00 million; personnel costs, Afs 0.88 million (104 employees at Afs 34,000/year for 1/4 year); and Afs 0.63 million for vehicles (20 vehicles, 25,000 kms/year at Afs 5/km for 1/4 year).

^c Assumes an exchange rate of Afs 50/US\$. Does not include USAID direct hire.

^d Exclusive of cost of USAID direct hire.

CENTRAL HELMAND DRAINAGE—PHASE II

REQUIRED HAVA PERSONNEL INPUTS

	<i>Personnel Now Employed</i>	<i>Total Personnel Required by Year</i>		
		<i>1956</i>	<i>1957</i>	<i>1958</i>
Technical Divisions	103	145	222	252
Head, Engineering	1	1	1	1
Head, Planning	1	1	1	1
Chief, Design	1	1	1	1
Chief, Construction	1	1	1	1
Planners	3	4	6	6
Preliminary Design Engineer	—	1	2	2
Design Engineer	3	4	6	6
Construction Coordinator	1	1	2	3
Contract Specialist	1	1	1	2
Engineering Surveyors	35	42	77	91
Field Data Collectors	9	20	29	29
Technicians	15	26	40	46
Inspectors	8	8	16	24
Draftsmen	8	8	12	12
Soil Coordinators	—	—	1	1
Soil Scientists	2	4	4	4
Soil Technicians	3	6	6	6
Head, Soil Laboratory	1	1	1	1
Laboratory Technician	9	9	9	9
Machine Operator	1	6	6	6
Agricultural Extension	—	4	4	4
Water Use Specialist	—	1	1	1
Assistants	—	3	3	3
Planning and Statistics	1	8	12	12
Socio-Economic Data Analyst	1	1	1	1
Socio-Economic Data Collectors	—	2	4	4
Irrigation Engineer	—	1	1	1
Assistant	—	—	1	1
Agriculturist	—	1	1	1
Assistant	—	—	1	1
Agricultural Economist	—	1	1	1
Assistant	—	1	1	1
Secretary, English Speaking	—	1	1	1
TOTAL PERSONNEL	104	157	238	268