

SCHEDA PER: GAZZETTA UFFICIALE		
FIRMA: 13.11.2012	ENTR. VIGORE: 14.12.2012	IN VIGORE: si
PAESE: Afghanistan		
MATERIA: Cooperazione		
POSIZIONE:		DEPOSITO:
TITOLO: Afghanistan : Accordo tra il Governo della Repubblica Italiana e il Governo della Repubblica Islamica di Afghanistan concernente il "National Solidarity Programme (NSP III) con allegati, firmato a Kabul il 9,12,e 13 novembre 2012 con scambio di note emendativo del 25 e 30 novembre 2012.		
FIRMATO a: Kabul		il: 13.11.2012
PROVV. LEG.:		G.U.:
NOT. () Italia: Controparte: Ricezione:		Comunicato G.U.: (Tabella II:)
DATA ENTR. VIGORE:		
DURATA: fino al completamento del progetto di cui all'art. II paragrafo 2.		
DEN./DEC.:		
NOTE:		
VD.:		
CLAUSOLA ENTR. VIGORE: Art. 15		ADEMPIMENTI INTERNI:
"Il presente Accordo è entrato in vigore il 14 dicembre 2012 ."		Ratifica senza legge di autorizzazione ed esecuzione
Lingue ufficiali: inglese		Uff. negoziatore: DGCS V



**AGREEMENT**

between

THE GOVERNMENT OF THE ITALIAN REPUBLIC

And

THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN

Regarding the

NATIONAL SOLIDARITY PROGRAMME III

The Government of the Italian Republic and the Government of the Islamic Republic of Afghanistan, inspired by the desire to further enhance their partnership;

Given the excellent results achieved by the previous collaboration within the framework of NSP II;

Intending to further promote the economic and social development of Afghanistan and appreciating the ongoing cooperation activities;

In line with the commitment of the International Community for the Development of Afghanistan following the signing of the Compact and the approval of the Afghanistan National Development Strategy to contribute to the achievement of the development objectives of Afghanistan, as well as to contribute to the achievement of the Millennium Development Goals;

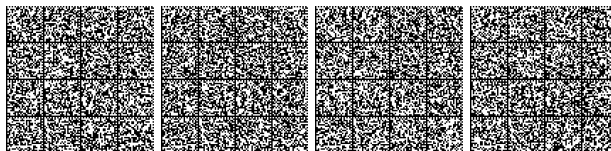
In recognition of and with respect of the democratic principles and fundamental human rights;

Recalling the Development Cooperation Framework Agreement between Afghanistan and Italy;

Have come to the following agreement:

Article 1**Definitions**

For the purpose of this Agreement, unless otherwise stated, the terms listed below mean the following:



Ministry of Foreign Affairs, Directorate General for Development Cooperation (DGCS) Rome, and in the case of the Islamic Republic of Afghanistan, the Ministry of Finance (MoF) and the Ministry of Rural Rehabilitation and Development (MRRD), or for both parties any other authority empowered to perform the functions exercised by the mentioned authorities.

2. 'The Parties' refer to the Competent Authorities.
3. The 'Programme Document' refers to the document, which by signature, has been approved by the Afghan Ministry of Rural Rehabilitation and Development (hereinafter referred as MRRD) of the Islamic Republic of Afghanistan (IRA) and is attached together with its Attachments as Annex II to this Agreement, hence constituting together with Annex I, Funding Request of Ministry of Finance and of MRRD, an integral part of this Agreement.

The Programme Document contains a description of the programme and of its disbursement, procurement, reporting, Monitoring and Evaluation and auditing procedures and governs the programme implementation.

Article 2 **Objectives of the Programme**

Building on the current NSP, the objectives of the programme are:

1. To continue to promote and strengthen good local governance at the community level in all villages across Afghanistan;
2. To support the creation of community-managed social and productive infrastructure that increase the access of rural communities to basic and essential services and to develop human capital to thereby enhance livelihoods and reduce poverty;
3. To create a sustainable and cost-effective service delivery instrument at the village level.

The programme is in its ninth year of implementation and has reached out as of July 2012, about 30,000 communities in 34 provinces in Afghanistan. In the next three years, the programme aims to roll out to further 10, 000 rural communities ensuring national coverage of investments in reconstruction and development activities planned and managed by the communities themselves. In addition, the programme aims to provide Repeater Block Grant to around 12,000 communities who have successfully utilized their First Round of Block Grants.

Activities are implemented either directly by the communities or through subcontracting private companies.

Decisions on the use of block grants will be taken through an inclusive participatory decision making process led by the Community Development Councils elected through secret ballot. The transparency of the process will facilitate the development of consultative



The programme contributes to meet the benchmarks of the Afghanistan Compact and the Afghanistan National Development Strategy (ANDS). Through the signing up of the Afghanistan Compact and the finalization of the ANDS in June 2008, GOIRA and the international community, including Italy, have committed to continue to support the NSP in order to achieve full national coverage for all rural communities across Afghanistan.

The NSP is a key vehicle for the delivery of the ANDS benchmarks, through the implementation of the NPPs related to the sector, in terms of rural infrastructure building and community development programmes, and in terms of communication mechanisms activation from the Government to the rural population through the Community Development Councils (CDC). The NSP is included –as one of the main activities- in the Agriculture and Rural Development Cluster NPP4 **Strengthening Local Institutions**.

Article 3

Outcomes of the Programme

The outcomes will be:

1. The consolidation of a framework for village level consultative decision-making, participation and representative local leadership, as a basis for interaction within and between communities, and with the administration and service providers.
2. The capacity to identify and prioritise needs, to formulate community development plans and deliver sub-projects.
3. Capacity to execute, deliver and maintain community-based infrastructure that will generate employment and promote primary productivity that will led to a decrease in poverty.

Article 4

Programme Document

The Programme Document is attached as Annex II. The Programme Document may be reviewed and updated. Changes in the Programme Document are subject to the approval of both the Parties.

Article 5

Obligations of the Islamic Republic of Afghanistan

Under this Agreement, the GOIRA shall:

1. Promptly inform the Government of Italy of any condition which may interfere or threaten successful implementation of the Programme.
2. Ensure uninterrupted flow of funds for the successful implementation of the programme activities within the period of validity of this agreement since crediting.



3. Ensure the management of the Italian and other Donors' contributions according to the objectives of the NSP III program;
4. Ensure that the GOIRA inputs, in particular key staff indicated as provided by the GOIRA are available. Human resources inputs from the GOIRA should, as far as possible, respect the plans.

Article 6

Obligations of Government of Italy

1. The Government of Italy shall provide Euro **6,000,000.00 (six/00) million** for the effective implementation of the Programme as per the following:

BLOCK GRANTS (EURO)	4.200.000	70%
CAPACITY BUILDING OF CDCs VIA FPS (EURO)	1.200.000	20%
PROJECT IMPLEMENTATION SUPPORT (EURO)	600.000	10%
TOTAL (EURO)	6.000.000,00	100%

Any reallocation among the above described budget breakdown is subject to approval by both parties.

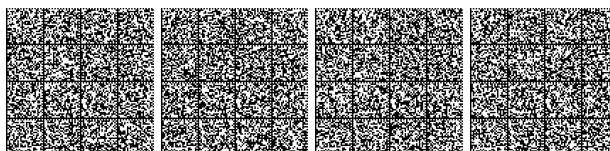
2. Unspent balance or savings of the grant cannot be spent without the approval of the Competent Authorities. Interests accrued on the grant, if any, will be credited to the NSP, or, in case of impossibility of utilization, will be returned to the Government of Italy, or other solutions will be agreed in written by the Parties. Any financial loss resulting from financial transactions carried out by NSP, shall be borne by NSP itself; any financial gain resulting from such financial transactions shall be credited to the NSP and their use shall be agreed between the donor and NSP.
3. The amount specified in Euro under this Agreement cannot be exceeded.
4. Procedures for the flow of funds, procurement, financial reporting, accounting and auditing shall follow the World Bank guidelines as described in the NSP Operations Manual and the NSP Financial Management Manual attached to the Annex II of this Agreement.

Article 7

Italian Grant earmarking

The eligible communities of the selected Provinces of Herat, Ghor and Bamyan shall be the beneficiaries of the Italian Grant regulated by this Agreement.

DISTRICTS SELECTION:



exchange of letters.

Disbursement of funds will follow the districts selection.

Special arrangements for ensuring the proper visibility of the Italian origin of the Block Grants received by the concerned Communities will be adopted by the NSP, according to specific guidelines that will be defined and agreed upon entering into force of this Agreement.

The visibility includes information of CDCs about the origin of the funds.

Article 8

Information, monitoring and evaluation

1. The Parties shall fully collaborate to ensure that the purpose of this Agreement is accomplished. In this regard, the Parties shall exchange views, shall provide each other with all data related to the implementation, documentation and information, shall provide mutual assistance required in discharge of the Parties' duties and shall provide all necessary support related to administrative issues, to facilitate the correct implementation of the Programme.
2. In order to establish a reliable mechanism of interaction and coordination between the Italian and the Afghan competent bodies involved by the Agreement, the Italian side will contract, following its internal procurement procedures and by establishing a specific funding facility on top of the grant of the present Agreement, Italian Consultants.

These Consultants shall be facilitated by the Afghan side in performing their tasks related to external monitoring of the Italian Grant use, the exchange of information on the overall Programme and their participation in the NSP coordination mechanisms. If needed and required by the Afghan side, the Consultants will provide the PSU with technical support and advice.

3. The Government of Italy shall have the right to carry out technical or financial evaluation concerning the execution of the Programme. MRRD will invite the Government of Italy to participate in all Joint Donor Supervision Missions. It is also expected that the Government of Italy will be invited to participate in all major reviews and evaluations activities undertaken by the World Bank. To facilitate the work of the Government of Italy representatives in charge of carrying out follow up activities, GOIRA shall provide all relevant assistance, information and documentation.
4. Evaluation of the Programme may be carried out upon request of either Party.
5. The Government of Italy shall have the right to carry out monitoring and evaluation activities according to this article during and after the implementation of the Programme.

Article 9

Programme reporting



The following procedures will be used for reporting from the Programme.

1. The MRRD/NSP shall submit to the Embassy of Italy the following documents concerning the overall NSP:
 - Afghanistan Monthly Status Report
 - Monthly Financial Reports
 - Quarterly Programme Progress Reports

In addition, the MRRD/NSP shall submit to the Embassy of Italy on a quarterly basis the documents concerning the Italian Contribution (on the bases of a reporting system that will be agreed by exchange of letters).

These Reports shall clearly show the amount of funds committed and disbursed to the Communities of the Provinces and Districts indicated by Article 7.

2. On completion of the Programme, the MRRD shall prepare a Completion Report concerning expenditures and activities implemented with the Italian Grant according to international standards. The report shall be submitted to the Ministry of Finance for onward submission to the Embassy of Italy in Kabul.

Article 10

Irregularities, Anti-Corruption Clause

1. If serious irregularity in the implementation of the programme may be ascertained, either party may suspend the programme implementation, wholly or in part, until the suspending party decides to resume the implementation.
2. No offers, payments, considerations or benefits of any kind, which could be regarded as an illegal or corrupting practice shall be made, promised, sought or accepted- neither directly nor indirectly – as an inducement or reward in relation to activities funded under this Agreement, including tendering reward, or execution of contracts.
3. If with respect to contracts to be financed by The Government of Italy, it is determined that corrupt or fraudulent practices are engaged by representatives of both Parties, or by the beneficiaries of the funds during procurement or execution of the contract without the party in question having taken timely and appropriate action to remedy the situation, satisfactory to the other party, both Parties may cancel the agreement, or sub-agreement concerning specific activities.
4. The provisions of Art. 20 of the above mentioned Development Cooperation Framework Agreement between GOIRA and GOIR, which entered into force in September 2011, shall apply.

Article 11

Labour clause



The authority, organisation and/or consultant shall abide by the GOIRA laws and by applicable international instruments, including the UN Convention on the Rights of the Child and The International Labour Convention.

Article 12

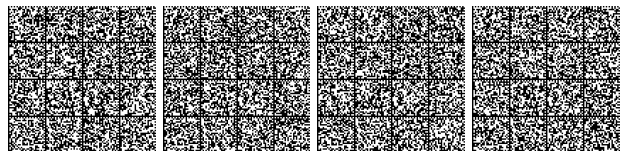
Financial management, reporting and audit

1. Procurement, reporting and auditing procedures will follow the Operation Manuals attached at Annex 1 of this Agreement.
2. The MRRD/NSP shall submit to the Embassy of Italy quarterly and yearly expenditure statements as described in the valid NSP Operations Manual and NSP Financial Management Manual, which apply the World Bank standards.
3. Within six months, after the expiry of the fiscal year of the GOIRA on 21 March, i.e. around 21 September, (in addition to separate audited accounts of each donor contribution), an audit of the consolidated financial statements incorporating all donors, Afghanistan Government and Community funding for the programme will be carried out and shall be submitted to the Embassy of Italy to Afghanistan. These audited reports will comply with international standards according to World Bank requirements, as accepted by other donors. GOIRA is solely responsible for arranging for the annual audit. Audit terms of reference to be shared for comments with concerned parties. Any spent amount of funds which remain unaudited after completion of Project activities shall be returned to the Government of Italy.
4. Representatives of the concerned Bodies of the Italian Government shall have the right to:
 - a) Carry out audits or inspections deemed necessary in regard of the use of the Italian Grant based on all relevant documentation.
 - b) Inspect accounts and records of suppliers and contractors related to the performance of the contract.

Article 13

Other Stipulations

1. Firms may be barred from contracts financed by the Italian Grant, either indefinitely or for a specified period of time if the Government of Italy determines that the firm is engaged in corrupt or fraudulent practices in competing for, or in executing a contract financed by the Italian Grant.
2. All funds shall be channelled through the Ministry of Finance following the established procedures.
3. Purchase under this Programme will be performed in accordance with the Programme Document. All local procurement and tendering shall follow the IRA's Procurement Law, financial rules and regulations in force, which reflect the World Bank guidelines.



4. All correspondence and meetings between the Parties shall be conducted in English.

Article 14
Settlement of disputes

1. Any dispute concerning the interpretation or implementation of this Agreement shall be settled by negotiation between the Parties. In case the dispute is not settled within a time limit of one year, the Parties may refer to arbitration.
2. The arbitration shall operate according to the following rules:

The number of arbitrators shall amount to a total of three, one designated by each one of the Parties, and a third designated by the two Parties' arbitrators. In case of dispute between the two Parties' arbitrators for the designation of the third one, this will be designated by a neutral institution to be identified by the two Parties' arbitrators.

The arbitral award shall be officially submitted signed by the three arbitrators. The procedures to be followed by the Court of Arbitration shall be agreed by the three arbitrators, who shall determine the Parties arbitration costs.

Article 15
Entry into Force, Commitment and Disbursement of the Grant

1. This Agreement shall enter into force when is duly countersigned by the authorized representatives of the Parties and after that the completion of the relevant internal procedures has been communicated through written notifications.
2. Funds under this Agreement will be committed by the Italian Government after the signature of the Agreement and will be disbursed in one instalment upon entering into force of this Agreement.

Article 16
Extension or Termination

1. This Agreement shall remain in force after the date of the signature until expenditures are completed and the final report is approved by DGCS.
2. Should funds from the Italian Grant be not fully disbursed within 3 years from the signature of the present agreement, a no-cost extension should be agreed between the Italian Embassy in Kabul and the MRRD/NSF. the Parties may extend without any additional cost or terminate the partnership by agreement through the Ministry of Finance.
3. In witness hereof the undersigned Representatives, duly authorised by their respective



Done in Kabul on _____, in three originals in English language.

**Embassy of the the Italian
Republic in Kabul**

**Ministry of Finance of the
Islamic Republic of
Afghanistan**

**Ministry of Rural
Rehabilitation and
Development of the Islamic
Republic of Afghanistan**

AMBASADOR LUCIANO PEZZONI

Name and role

Luciano Pezzoni

[Signature]

Name and role

Dr. Hazrat Omar Zakirul

Mohammad Tariq Ismaili

Name and role

Acting Minister

Date 09-11-2012

Date 12-11-2012

Date 13-11-2012

**ANNEX I FUNDING REQUEST OF MINISTRY OF FINANCE AND MINISTRY OF RURAL
REHABILITATION AND DEVELOPMENT**

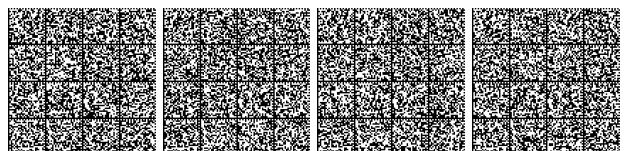
ANNEX II NSP III PROGRAMME DOCUMENT

Attachments to ANNEX II

1 - NSP FINANCIAL MANAGEMENT MANUAL

2 - NSP OPERATIONAL MANUAL VI

3 - NSP STATUS REPORT IN THE PROVINCES OF HERAT, GHOR AND BAMIAN AS OF
SEPTEMBER 2012



د افغانستان اسلامي جمهوریت
د مالیې وزارت



جمهوری اسلامی افغانستان
وزارت مالیه



Ministero degli Affari
Diplomatici
e del Turismo

Per copia conforme

Islamic Republic of Afghanistan

Ministry of Finance
Budget Department

213050

30 November 2012

H.E Luciano Pezzotti
Ambassador
Embassy of the Italian Republic
Kabul – Afghanistan

**Subject: Agreement for a Second Grant to the National Solidarity Program.
Completion of procedures**

Dear Mr. Pezzotti:

Reference is made to the Agreement between the Islamic Republic of Afghanistan and the Italian Republic, signed in Kabul on November 13th, 2012, concerning a Second Italian Grant to the National Solidarity Program.

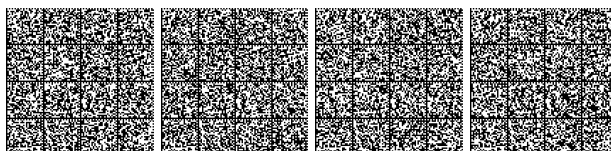
I am glad to inform you that all relevant internal procedures required for the ratification of the Financing Agreement have been completed by the Afghan side.

Therefore, according to item 15.1, the Agreement shall enter into force following your communication in writing confirming that required procedures on the Italian side are also completed.

I take this opportunity to renew the assurances of my highest consideration.

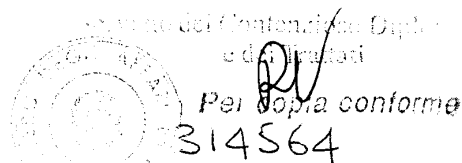
Sincerely yours

Mohammed Mustafa Mastoor
Deputy Minister of Finance





Ministero degli Affari Esteri



NOTA VERBALE

Il Ministero degli Affari Esteri presenta i Suoi complimenti all'Ambasciata della Repubblica Islamica di Afghanistan ed ha l'onore di riferirsi all'Accordo tra il Governo Repubblica Italiana e il Governo la Repubblica Islamica dell'Afghanistan concernente il "National Solidarity Programme (NSP III)" con allegati, firmato a Kabul il 9, 12 e 13 novembre 2012 con scambio di Note emendativo del 25 e 30 novembre 2012.

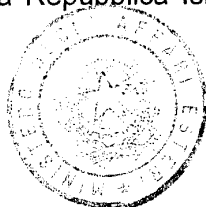
Il Ministero degli Affari Esteri ha l'onore di notificare con la presente, ai sensi dell'articolo 15 dell'Atto internazionale sopra citato, che da parte italiana sono state portate a termine le procedure richieste dall'ordinamento interno per l'entrata in vigore dell'Accordo stesso.

Poiché codesto Ministero delle Finanze ha già effettuato la propria notifica con Lettera n. 213050 del 30 novembre 2012, l'Accordo entra in vigore alla data della presente Nota Verbale.

Il Ministero degli Affari Esteri si avvale dell'occasione per rinnovare all'Ambasciata della Repubblica Islamica di Afghanistan, gli atti della sua più alta considerazione.

Roma,

11 DIC. 2012



All'Ambasciata della Repubblica Islamica di Afghanistan
Via Nomentana, 120
00161 R O M A

