

AGREEMENT
between
THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN
and
THE GOVERNMENT OF DENMARK
REGARDING PROJECT

ON

FORESTRY
LAND RESOURCE CONSERVATION AND MANAGEMENT
IN THE FOUR EASTERN PROVINCES

The Government of Denmark has agreed to support on a grant basis the implementation of phase 1 of the Forestry Land Resource Conservation and Management project in the Four Eastern Provinces with the amount of 1,517,450 Danish Kroner (equivalent to the amount of 269,228 US dollars as per the exchange rate of 5.6363 as of 26 November 2010). Phase 1 is composed of a number of studies, surveys and training, and will provide the basis for a five-year Natural Resource Management intervention by the Afghan Ministry of Agriculture expected implemented 2011-2016.

The Government of the Islamic Republic of Afghanistan represented by the Ministry of Agriculture, Irrigation and Livestock (MAIL) (hereinafter referred to as MAIL) and the Government of Denmark have agreed that the project be carried out in accordance with the provisions of this Agreement.

The agreement is based on "The Partnership Agreement between The Government of The Islamic Republic of Afghanistan and The Government of Denmark regarding Grant Assistance to Afghanistan from Denmark 2008 – 2010" of 18 November 2008 as well as "Agreement between the Government of Denmark and the Government of Afghanistan on Development Cooperation" of 20 November 2003.

Article 1

Definitions

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

1. 'Competent Authorities' in the case of the Government of Denmark refer to the Ministry of Foreign Affairs, Copenhagen, as represented by the Embassy of Denmark to Afghanistan (hereinafter referred to as the "Embassy of Denmark") and in the case of the Islamic Republic of Afghanistan, the Ministry of Agriculture, Irrigation and livestock (MAIL) or for both parties any other authority empowered to perform the functions exercised by the said authorities.
2. 'The Parties' refer to the Competent Authorities.
3. The 'Project Document' of Forestry Land Resource Conservation and Management (attached as Annex I) refers to the document, which by signature, has been approved by the

Ministry of Agriculture, Irrigation and Livestock (hereinafter referred to as MAIL) and the Embassy of Denmark and hence constitute an integral part of the Agreement. The Project Document contains a description of the Project and shall govern its implementation.

Article 2

Objectives of the Project

The overall goal of the project is to reduce the severe natural resources degradation in four Eastern Provinces

More specifically, the objectives of the Project are:

- To create reliable data bases for MAIL decision making and the formulation of a natural Resources Management Programme for four Eastern Provinces through studies and surveys
- To formulate a 5-year programme including an implementation plan demonstrating a sustainable approach to addressing the severe natural resources degradation in the four Eastern provinces
- To create a cadre of competent NRM staff at Provincial and District level

The lack of reliable data bases and insufficient capacity in many of the technical directorates including the General Directorate for Natural Resources Management to collect and analyze data for canalization into the MIS in support of decision making could result in delayed implementation of development interventions. This study will assist the GDNRM to update their data bases on the timber trade, the available forestry resources of the four Eastern Provinces and the present status of the resource degradation and prepare a catalogue of ongoing activities. It will also assist the GDNRM to create the required institutional and organizational framework for coordination and it will provide the information required to formulate a 5-year programme including required capacity development to reduce the degradation process through community based natural resources management.

Article 3

Outcomes of the Project

The outcomes will be:

- Increased understanding of the complexity of the natural resources degradation and improved decision making and natural resources planning and management
- The Natural Resources Degradation significantly reduced through a comprehensive 5-year NRM Programme.
- The Policy, the Legal and Regulatory and the Institutional and Organizational frameworks strengthened and understood by NRM staff in the 4 provinces and their districts.

Article 4

Obligations of the Islamic Republic of Afghanistan

Under this Agreement, the MAIL shall:

1. Promptly inform the Government of Denmark of any condition which interferes or threatens successful implementation of the Project.
2. Ensure an uninterrupted flow of funds for successful implementation of the project activities and the payment of all other expenses required for the establishment and operation of the Project, that are not mentioned as items to be provided by the Government of Denmark.
3. Ensure that the MAIL inputs, in particular key staff defined in the project document as to be provided by the MAIL are available. Human resources inputs from the MAIL will, as far as possible, match the planned activities under the components.

Article 5

Obligations of Government of Denmark

1. The Government of Denmark shall provide an amount of 1,517,450 Danish Kroner (equivalent to amount of 269,228 US dollars as per the exchange rate of 5.6363 as of 26 November 2010) for the effective implementation of the Project. The funds will be transferred to a designated bank account in the Ministry of Finance for the Danish contribution to MAIL.
2. Any unspent balance or any savings of the Project funds cannot be spent without the approval of the Competent Authorities. Interest accrued from the remittances shall be returned to the Embassy of Denmark. The Government of Denmark's funding obligation is made in DKK. Any adverse changes in the exchange rate between DKK and USD will be borne by the project.
3. National procurement guidelines shall be followed (mentioned in Article 12). In addition, a No Objection Letter (NOL) shall be obtained from the Embassy of Denmark for the procurement of international consultants.

Article 6

Information, monitoring and evaluation

1. The Parties shall collaborate fully to ensure that the purpose of this Agreement is accomplished. To that end, the Parties shall exchange views with regard to matters relating to the Project and provide each other with all data, documentation and information available to them, shall give all appropriate mutual assistance required in discharging of the Parties' duties and provide all necessary support, in particular in all administrative questions, to facilitate the due implementation of the Project.

2. The Government of Denmark shall have the right to carry out any technical or financial mission that it considers necessary to monitor the execution of the Project. MAIL will invite the Embassy of Denmark to participate in an annual joint donor supervision mission. It is also expected that the Government of Denmark will be invited to participate in all major reviews and evaluations undertaken in relation to the project. To facilitate the work of the person or persons instructed to carry out such a monitoring mission, MAIL shall provide all relevant assistance, information and documentation.
3. Evaluation of the Project may be carried out at the request of either Party.
4. The Government of Denmark shall have the right to carry out monitoring and evaluation according to this article after the termination of the Project.

Article 7

Project reporting

The following procedure shall be used for reporting on the Project in accordance with the project document

1. The MAIL shall submit to the Embassy of Denmark a Monthly Status Report and a Quarterly Project Progress Report along with the Financial Reports.
2. On completion of the Project, the MAIL shall prepare a Completion Report and submit to the Embassy of Denmark.

Article 8

Irregularities, Anti-Corruption Clause

1. If serious irregularity in the Project or suspicion thereof has been ascertained, either party may suspend project implementation, wholly or in part, until the suspending party decides to resume the implementation.
2. No offer, payment, consideration or benefit of any kind, that can be regarded as an illegal or corrupt practice shall be made, promised, sought or accepted (either directly or indirectly) as an inducement or reward in relation to activities funded under this Agreement, including tendering awards, or execution of contracts.
3. Either party may cancel, with immediate effect, the agreement or any sub-agreement covering specific activities if, with respect to any contract to be financed by the Government of Denmark, either party determines that corrupt or fraudulent practices were engaged in by representatives of the donor country, the recipient country, or of a beneficiary of the funds during procurement or during the execution of the contract without the party in question having taken timely and appropriate action satisfactory to the party wishing the rescind of the Agreement in order to remedy the situation.

Article 9

Labour clause

Any authority, organisation and/or consultant implementing this Agreement shall abide by the MAIL laws and by applicable international instruments, including the UN Convention on the Rights of the Child and International Labour Organisation conventions.

Article 10

Financial management, reporting and audit

1. The MAIL shall submit to the Embassy of Denmark quarterly and yearly expenditure statements.
2. The MAIL is solely responsible for arranging for the annual audit the cost of which shall be funded from the project. The terms of reference for the audit shall be agreed in advance with the Embassy of Denmark.
3. The MAIL shall hire an internationally recognized audit company with the approval of the Embassy of Denmark in Afghanistan to conduct the external audit of the project.
4. MAIL shall submit to the Embassy of Denmark the external audit report of the project no later than six months after the end of the project.
5. Representatives of the Auditor General of Denmark shall have the right to carry out any audit or inspection considered necessary in respect of the use of Danish funds. The auditors shall have access to all relevant documents, including, where applicable, the accounts and records of suppliers and contractors carrying out work under the project.

Article 11

Other Stipulations

1. Firms may be barred from contracts financed by Danish funds, either indefinitely or for a specified period of time if the Government of Denmark determines that the firm is engaged in corrupt or fraudulent practices in competing for, or in executing, a contract financed by Danish funds.
2. All funds shall be channelled through the Ministry of Finance of the Government of Afghanistan using the established procedures.
3. All local procurement and tendering shall follow the MAIL's Procurement Law, financial rules and regulations in force.
4. All correspondence and meetings between the Parties shall be conducted in the English language.

Article 12

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 has not been settled within a time limit of one year, either Party may refer the matter 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 either of the Parties, i.e. two, and a third designated by the former two. In case of dispute between the former two arbitrators as to the designation of the latter, the latter will be designated by a neutral institution to be identified by the former two. The arbitral award shall be submitted in written form and must be signed by all three arbitrators. The proceedings to be followed by the Court of Arbitration shall be decided on by the three arbitrators, who shall also determine the distribution between the two Parties of the costs relating to the arbitration.

Article 13

Extension or Termination

1. This Agreement shall remain in force from the date of signature until 30th September 2011 and shall cover both the present and possible future allocations from the Government of Denmark to the Project.
2. The Parties may extend or terminate the Project by agreement through an exchange of letters or unilaterally by a notice of termination in writing. A notice of termination will come into effect 6 months after having been received by the other Party.
3. In witness hereof the Parties hereto, acting through their representative duly authorised for this purpose, have caused this Agreement to be signed in two originals in the English language.

For the Government of the
Islamic Republic
of Afghanistan

Dr. Omar Zakhilwal
Minister of Finance

Date:

For the Government of
Denmark

MARIN SØRENSEN
Marin Sørensen
Anders Carsten Damsgaard
Ambassador
Embassy of Denmark to Afghanistan
Date: 23.11.2010