MEMORANDUM OF UNDERSTANDING

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF INDIA

AND

THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN

REGARDING

INDIAN GRANT ASSISTANCE FOR IMPLEMENTATION

OF SMALL DEVELOPMENTAL PROJECTS

THROUGH

LOCAL BODIES

NON-GOVERNMENTAL ORGANISATIONS,

CHARITABLE TRUSTS

AND EDUCATION AND VOCATIONAL INSTITUTIONS

The Government of the Republic of India (hereinafter referred to as 'GOI') and the Government of Islamic Republic of Afghanistan (hereinafter referred to as 'GoA')

Bearing in mind the close and friendly relations between the two countries;

Recalling the assistance extended in the past by GoI to GoA for the social and economic development of Afghanistan;

Noting the need for setting up an appropriate mechanism for funding small but effective developmental initiatives to be implemented through local bodies, government to government institutions, or non-governmental organizations; and

Desirous of jointly working towards successful implementation of small projects which contribute significantly to economic and social development and improvement of public welfare, while maintaining the funding of large and medium scale developmental projects agreed on a government to government basis;

Have reached the following understanding:

ARTICLE I

Scope

The capital cost of a project covered by this MoU shall not exceed US \$ 1 million and the total capital cost of all such projects taken up for implementation under this Agreement at any time shall not exceed US \$ 20 million. The projects shall relate chiefly to socio-economic development, particularly creation of infrastructure in the education, health or community development sectors. Livelihood activity, conservation of environmental and cultural heritage, empowerment of women and child welfare shall be the primary themes of such projects.

ARTICLE II

Procedure for project appraisal and execution

Applications for GoI grant assistance for any such project from a local body, NGO or institution shall be received by the Embassy of India in Kabul (hereinafter called 'EoI') through a concerned Afghan authority. The EoI shall then arrange for the preparation of a project report and be responsible for all related activities including appraisal of project proposal, sanction and disbursal of grant assistance, and monitoring of project implementation.

ARTICLE III

Prior concurrence of Ministry of Economy (GoA)

EoI shall furnish to the Ministry of Economy of GoA relevant details about any project proposed to be taken up for implementation under this MoU and seek prior concurrence of the Ministry. In case the *proposed project is to be implemented by an NGO, all information about that NGO as may be available with EoI, shall also be furnished by EoI with the proposal. The Ministry of Economy of GoA shall convey its concurrence to or reservations, if any, on the project proposal within one month of the date of submission of the proposal by EoI. Reservations, if any, may be clarified and, if required, the project proposal suitably modified within a further period of one month.

ARTICLE IV

Separate MoUs for implementation of each project : quarterly progress report

For each such project, a separate Memorandum of Understanding (MoU) shall be concluded between the EoI and the concerned local body or NGO, as the case may be, giving details of the project to be undertaken, the total grant assistance sanctioned and its phasing, the list of goods, materials, equipment and vehicles proposed to be imported for the project, the monitoring and evaluation mechanism, and the responsibilities regarding project implementation assigned to various stake-holders. A copy of the MoU shall be forwarded by the EoI to the Foreign Ministry, the Ministry of Economy and the concerned line Ministry of GoA in each case. EoI shall also furnish a quarterly report to the Ministry of Economy and concerned line Ministries of GoA on the progress of implementation of such projects.

ARTICLE V

Exemption from duties

In accordance with policies extant at the time of project finalisation, GoA shall provide exemption from payment of custom duties, in respect of all goods, materials, equipment and vehicles listed in the MoU under the preceding Article IV and imported in connection with the implementation of any project taken up under this MoU.

ARTICLE VI

Validity

This Memorandum of Understanding shall take effect from the date of its signing and remain valid for a period of three years thereafter. The MoU may be amended, modified and extended by mutual consent of the two Governments.

This MoU may be terminated by either Party by giving the other six months prior written notice of its intention to terminate the Memorandum. Notwithstanding such termination, the provisions of this MoU shall continue to apply in respect of projects that have already been initiated after the entry into force of this Memorandum until their completion.

In witness whereof, the undersigned being duly authorized by their respective Governments have signed this *Memorandum of Understanding*.

Done at Kabul on this 28th day of August 2005 in two originals each in Hindi, Dari and English languages, all three texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

FOR THE GOVERNMENT

OF THE REPUBLIC OF INDIA

(K. NATWAR SINGH)
External Affairs Minister

FOR THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF AFGHANISTAN

(Dr. MAR M. AMIN FARHANG)
Minister of Economy