Financing Agreement

(Protected Area and Wildlife Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 14, 2014
FINANCING AGREEMENT

AGREEMENT dated 2014, entered into between LAO PEOPLE’S DEMOCRATIC REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit and a grant as provided in Section 2.01 of this Agreement, to assist in the financing of the Project; and

(B) the Recipient has also requested the International Bank for Reconstruction and Development ("World Bank"), acting as an Implementing Agency of the Global Environment Facility ("GEF") to provide additional assistance towards the financing of the Project and the World Bank, acting as an Implementing Agency of the GEF, has agreed to make available a grant to the Recipient from the GEF in the amount equal to six million eight hundred thirty thousand Dollars ($6,830,000) ("GEF Grant") to assist in the financing of the Project, pursuant to the grant agreement of even date herewith between the Recipient and the World Bank ("GEF Grant Agreement"); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend a credit to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 General Conditions or in this Agreement (including the Preamble and Appendix thereto).

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, "Financing") in the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project");
(a) an amount equivalent to three million Special Drawing Rights (SDR 3,000,000) ("Grant"); and

(b) an amount equivalent to eight million two hundred thousand Special Drawing Rights (SDR 8,200,000) ("Credit").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%).

2.05. The Payment Dates are February 15 and August 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Environment Protection Fund to carry out the Project in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:
(a) EPF’s Establishment Decree has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the EPF to implement the Project and to perform its obligations under the Subsidiary Grant Agreement.

(b) the EPF has failed to perform any of its obligations under the Subsidiary Grant Agreement.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in Section 4.01(a) of this Agreement occurs.

(b) The event specified in Section 4.01(b) occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The GEF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement), have been fulfilled.

(b) The Subsidiary Grant Agreement has been executed and delivered on behalf of the Recipient and the EPF.

5.02. The Additional Legal Matter is that the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and the EPF and is legally binding upon the Recipient and the EPF in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister at the time responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance
23rd Singha Road
Saysettha District
Vientiane, Lao PDR

Facsimile:

856-21-412142

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391
AGREED at Vientiane, Lao People's Democratic Republic, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By

[Signature]

Authorized Representative

Name: Thipphakone CHANTHAVONGSA

Title: Vice-Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Ulrich Zachau

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient’s management systems for national protected areas conservation and for enforcement of wildlife laws.

The Project consists of the following parts:

Part 1: National Institution Development and Capacity Building

Carrying out of Sub-projects designed to strengthen the capacity of eligible Beneficiaries to execute and coordinate national biodiversity planning, manage the Recipient’s national protected areas system and cooperate with neighboring countries, monitor and control the illegal wildlife trade, develop and implement educational and training programs in protected area and wildlife sciences, raise the awareness of decision makers on biodiversity and wildlife trade issues, and other activities related to national biodiversity conservation.

Part 2: Management of Wildlife and Protected Areas

Carrying out of Sub-projects designed to strengthen: (a) the management of selected national protected areas and wildlife in the Participating Provinces including, *inter alia*, design of protected area management plans, development and implementation of improved patrolling mechanisms, biodiversity monitoring, macro zoning, awareness raising, carrying out of community engagement, biodiversity conservation and livelihood development activities related to the implementation of the CEF and the ESMF, and implementation of cross border cooperation and twinning arrangements; and (b) the capacity of provincial and district authorities and other stakeholders to coordinate and support the management of protected areas and to control the illegal wildlife and timber trade in the Participating Provinces.

Part 3: Project Administration and Capacity Building

Provision of technical and operational assistance to the EPF to: (a) carry out the day-to-day coordination, administration, procurement, financial management, environmental and social management, communication, monitoring, evaluation, reporting and audit of the Project; and (b) build its capacity to raise funds for protected area and wildlife protection activities and manage its operations effectively.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For the purposes of carrying out the Project, the Recipient shall ensure that the EPF is maintained, at all times during the implementation of the Project, with a mandate, functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.

2. Without limitation upon the foregoing, the Recipient shall ensure that:

   (a) the EPF board of directors shall serve as a steering committee for the Project and, to this end, shall meet twice a year or more often if required for the purposes of, inter alia: (i) providing strategic and policy guidance on the implementation of Project activities; (ii) supporting inter-ministerial coordination of Project activities; (iii) appointing the technical committee referred to paragraph (b) of this Section 1.A.2; and (iv) approving the Annual Work Plans and Budgets and all Sub-projects.

   (b) the EPF shall maintain, at all times during the implementation of the Project, a technical committee with terms of reference and composition satisfactory to the Association for the purposes of providing technical guidance on all activities under the Project; and

   (c) the EPF shall maintain, at all times during the implementation of the Project, a project management team with terms of reference and composition satisfactory to the Association, which shall be responsible for, inter alia: (i) preparing the draft Annual Work Plans and Budgets for no-objection by the Association; (ii) reviewing and recommending for approval Sub-project proposals, executing Sub-grant Agreements with Beneficiaries, and managing and monitoring the implementation of Sub-projects in accordance with the Sub-grant Agreements; (iii) facilitating the implementation of all Project activities; (iv) overseeing and guiding the overall administration of procurement, financial management, environmental and social management, and communication of the Project; (v) carrying out the overall monitoring, evaluation and reporting on Project activities; and (vi) liaising with the Association, the Recipient and the Beneficiaries on any matters related to the progress of the Project and the use of the proceeds of the Financing.
B. Subsidiary Grant Agreement

1. To facilitate the carrying out the Project, the Recipient shall make available to the EPF the proceeds of the Financing under a Subsidiary Grant Agreement to be entered into between the Recipient, through its Ministry of Finance, and the EPF, under terms and conditions acceptable to the Association which shall include, *inter alia*:

(a) the proceeds of the Financing shall be made available by the Recipient to the EPF on a non-reimbursable grant basis;

(b) the EPF shall: (i) carry out the Project with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices; including in accordance with the provisions of this Agreement, the PIM, the ESMF, the CEF and relevant Safeguard Assessments and Plans, and the Anti-Corruption Guidelines; and (ii) provide, promptly as needed, the resources required for such purpose;

(c) the EPF shall ensure that any goods, works and/or services to be financed out of the Financing are procured in accordance with the provisions of Section III of this Schedule;

(d) the EPF shall: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of one year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made, and two years after the Closing Date; (iii) prepare and furnish to the Recipient and the Association interim unaudited financial reports as provided for in Section II.B of this Schedule; and (iv) have its records, accounts and financial statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association, but in any event not later than six (6) months after the end of the Recipient’s fiscal year;

(e) the EPF shall enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents;
(f) the EPF shall permit the Association to make the Subsidiary Grant Agreement and all financial statements audited pursuant to paragraph (d) above available to the public in accordance with the Association's policies on access to information;

(g) the EPF shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association and set forth in the PIM, the progress of the Project and the achievement of the its objectives;

(h) the EPF shall prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and

(i) the Recipient shall have the right to suspend or terminate the right of the EPF to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Financing then withdrawn, upon the EPF's failure to perform any of its obligations under the Subsidiary Grant Agreement.

2. The Recipient shall exercise its rights and perform its obligations under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

C. Project Implementation Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Implementation Manual ("PIM") (provided, however, that in the event of any conflict between the arrangements and procedures set out in the PIM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the PIM unless the Association has provided its prior no-objection thereof in writing.

D. Annual Work Plans and Budgets

1. The Recipient shall cause the EPF to prepare and furnish to the Association not later than March 31 of each year during the implementation of the Project (or such later date as the Association may agree) for the Association's no-objection, a consolidated Annual Work Plan and Budget containing all eligible Project activities and Eligible Expenditures, including Sub-projects, proposed to be included in the Project in the Recipient's following fiscal year, including a
specification of the source or sources of financing for all Eligible Expenditures, and environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.E of this Schedule.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plan and Budget accepted by the Association for the Recipient's respective fiscal year; provided, however, that in the event of any conflict between the Annual Work Plan and Budget and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Recipient shall not make or allow to be made any change to the Annual Work Plan and Budget without prior no-objection in writing by the Association.

E. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework (ESMF”), the Community Engagement Framework (“CEF”) and the relevant Safeguard Assessments and Plans.

2. Whenever a Safeguard Assessment and Plan shall be required for any proposed Project activity in accordance with the provisions of the ESMF or the CEF, as the case may be, the Recipient shall ensure that:

   (a) prior to the commencement of such activity, such Safeguard Assessment and Plan is: (i) prepared in accordance with the provisions of the ESMF or the CEF, as the case may be; (ii) furnished to the Association for review and no-objection in accordance with the PIM; and (iii) thereafter adopted and disclosed as accepted by the Association, in a manner satisfactory to the Association; and

   (b) thereafter such measures are taken as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Assessment and Plan.

3. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESMF, the CEF or any Safeguard Assessments and Plans, unless the Association has provided its prior no-objection thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

4. The Recipient shall ensure that:
(a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with the Association’s environmental and social safeguards policies, as well as the Recipient’s own laws relating to the environment and social aspects; and

(b) in drafting any regulations, guidelines or corporate procedures and carrying out capacity building activities under the Project, due attention is given to said policies and laws.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall collect, compile and submit to the Association on a six-monthly basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESMF, the CEF and the Safeguard Assessments and Plans, giving details of:

(a) measures taken in accordance with the said instruments;

(b) conditions, if any, which interfere or threaten to interfere with the implementation of the said measures; and

(c) remedial measures taken or required to be taken to address such conditions.

6. In the event of any conflict between the provisions of any of the ESMF, the CEF or the Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

F. Sub-Grants

1. The Recipient shall cause the EPF to provide Sub-grants for financing Sub-projects under Part 1 and Part 2 of the Project in accordance with the eligibility criteria (including negative checklist of excluded activities) and approval and administration arrangements set out in the Project Implementation Manual.

2. Without limitation upon the foregoing, the Recipient shall cause EPF to make each Sub-grant under a Sub-grant Agreement with the respective Beneficiary in accordance with the PIM and under terms and conditions acceptable by the Association, which shall include, inter alia:

(a) A description of the eligible Sub-project activities and expenditures to be financed out of the proceeds of the respective Sub-grant, including where applicable any grants or other assistance to local communities, and the amount of the Sub-grant which shall be denominated in Kip;

(b) The obligations of the respective Beneficiary to:
(i) carry out the Sub-project in accordance with the approved annual work plan and budget in respect of such Sub-project;

(ii) ensure that the Sub-project is carried out with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices, including in accordance with the provisions of the PIM and the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient;

(iii) provide or cause to be provided, promptly as needed, the resources required for the purpose;

(iv) ensure that the goods, works and/or services to be financed out of the Sub-grant are procured in accordance with the provisions of Section III of this Schedule;

(v) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives, and prepare and furnish to the EPF semi-annual progress reports by April 20 and October 20 of each year;

(vi) ensure compliance with the environmental and social safeguard requirements set forth in this Agreement, including those provided in the ESMF, the CEF and the relevant Safeguard Assessments and Plans;

(vii) (A) maintain or cause to be maintained a financial management system and prepare or caused to be prepared financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (B) at the EPF's, Association's or the Recipient's request, ensure that such financial statements are audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish or cause to be furnished the statements as so audited to the EPF, the Recipient and the Association;
(viii) enable the EPF, the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and

(ix) prepare and furnish or cause to be prepared and furnished to the EPF, the Recipient and the Association all such information as the EPF, the Recipient or the Association shall reasonably request relating to the foregoing; and

(c) The right of the EPF to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement.

3. The Recipient shall, and shall cause the EPF to exercise their respective rights and perform their respective obligations under each Sub-grant Agreement in such manner as to protect the interests of the Recipient, the EPF and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not, and shall ensure that the EPF shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

G. Anti-Corruption

The Recipient 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

1. The Recipient shall cause the EPF to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Project Implementation Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall: (a) not later than December 31, 2017 (or such other date as the Association may agree), prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A, and setting out
the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objective during the period following such date; and (b) review with the Association such mid-term report, on or about the date one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation upon the provisions of this Section II.A, the Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in paragraph 3 of this Section III.B; (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (d) Direct Contracting; (e) Force Account; and (f) Community Participation procedures which have been found acceptable to the Association and set out in the PIM.

3. Additional NCB Provisions. The procurement procedure to be followed for National Competitive Bidding shall be based on the public bidding procurement method as defined in the Decree No. 03/PM on Government Procurement of Goods, Construction, Maintenance and Services, dated January 9, 2004 and the Implementing Rules and Regulations, dated March 12, 2004 as amended on May 5, 2009; provided that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following additional provisions:

   (a) Eligibility: The eligibility of bidders to participate in a procurement process and to be awarded a contract financed by the Association shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines.

   (b) Domestic Preference: No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs.

   (c) Registration and Inclusion in the Reference List of Suppliers/Contractors: Registration and inclusion in the reference list shall not be used as a basis for or as a substitute for assessing the bidders’ qualifications.
(d) **Bidding Documents:** Procuring entities shall use the appropriate standard bidding documents acceptable to the Association, which documents shall be prepared to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.

(e) **Bid Opening:** All bids must be opened in public immediately at on the deadline set for the bid submission at the date, time and place stipulated in the tender documents. Bids shall be opened in public, that is, the bidders or their representatives may attend the bid opening. The tender committee shall announce the names of the bidders and the price offered by each bidder. A record of the bid opening shall be prepared and shall contain the names of the bidders, bid price, discounts and the names of persons in attendance and the organizations they represent.

(f) **Rejection of Bids and Re-bidding:** All bids (or the sole bid if only one bid is received) shall not be rejected, negotiations shall not take place at any time with a bidder, the procurement process shall not be cancelled, or new bids shall not be solicited without the Association’s prior written concurrence.

(g) **Contract Modifications:** With respect to contracts subject to the Association’s Prior Review, the Recipient shall obtain the Association’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the contract scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (iv) the proposed termination of the contract. A copy of all signed contract amendments shall be provided to the Association for its record.

(h) **Bid and Contract Securities:** All bid and contract securities shall be in the format specified in the bidding documents.

(i) **Fraud and Corruption:** To be deemed acceptable by the Association, the bidding documents and contract shall include provision(s) stating the Association’s policy to sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

(j) **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids
and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

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 contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing ("Category"), the allocations of the amounts of the Credit and 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 Credit (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</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, Sub-</td>
<td>8,200,000</td>
<td>2,650,000</td>
<td>71%</td>
</tr>
<tr>
<td>grants, Training and Operating Costs for the Project</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Refund of Preparation Advance</td>
<td>0</td>
<td>350,000</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>8,200,000</td>
<td>3,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of this Section IV.A, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2021.

**Section V. Other Undertakings**

The amount of the Grant allocated under Category (1) shall be disbursed before the amount of the Credit allocated under said Category.
**SCHEDULE 3**

**Repayment Schedule**

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing August 15, 2024 to and including February 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing August 15, 2034 to and including February 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Definitions

1. “Annual Work Plan and Budget” means each annual work plan, together with the related budget, for the Project accepted by the Association pursuant to the provisions of Section 1.D of Schedule 2 to this Agreement; as the said plan and budget may be modified from time to time with the prior written no-objection of the Association.


3. “Beneficiary” means a government ministry or agency or a non-governmental organization selected in accordance with the eligibility criteria and procedures set forth in the Project Implementation Manual, to receive a Sub-grant for the financing of a Sub-project, and the term “Beneficiaries” means collectively all such Beneficiaries.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “Community Action Plan” means any plan to be prepared in accordance with the CEF, pursuant to Section 1.E of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, setting out the measures to be undertaken in accordance with the Process Framework to assist Displaced Persons whose access to protected areas would be restricted under the Project, as well as measures to be undertaken in accordance with the Ethnic Group Planning Framework to ensure culturally appropriate social and economic benefits for the Ethnic Groups affected by Project activities, and to avoid, minimize and/or mitigate for any potential adverse effects on the Ethnic Groups associated with such activities; as said plan may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such plan.

6. “Community Engagement Framework” and the acronym “CEF” each means the Recipient’s framework dated January 24, 2014, setting out the principles, standards, processes and tools to be applied for engaging and supporting communities in and around protected areas included under the Project, with related public consultation, disclosure, reporting and grievance redress procedures including, *inter alia*, the Process Framework and the Ethnic Group Planning Framework; as said framework may be modified from time to time with
the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.

7. "Conservation Agreement" means any agreement to be entered into between Beneficiaries and community organizations in accordance with the CEF, setting out conservation actions to be undertaken by the community organization and community benefits to be provided based upon such actions.


9. "Displaced 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.

10. "Environmental and Social Impact Assessment" means any assessment to be prepared in accordance with the environmental and social screening guidelines, procedures and forms included in the ESMF, pursuant to Section I.E of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the Association, defining details of potential environmental and social risks and adverse impacts associated with the implementation of Project activities.

11. "Environmental and Social Management Framework" and the acronym "ESMF" each means the Recipient's framework dated January 24, 2014, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, including, inter alia, the guidelines, procedures and forms for preparing and implementing Environmental and Social Impact Assessments and Environmental and Social Management Plans, the Environmental Code of Practice, and the Pest Management Plan, as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.

12. "Environmental and Social Management Plan" means any plan to be prepared in accordance with the ESMF, pursuant to Section I.E of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, defining details of measures to manage potential environmental and social risks and avoid, minimize and/or mitigate any adverse environmental and social impacts
associated with Project activities, together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; as said plan may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such plan.

13. “Environmental Code of Practice” means the code included in the ESMF, setting out measures and procedures to avoid, minimize and/or mitigate any adverse environmental, social, health and safety impacts that may result from the implementation of the Project.

14. “EPF” means the Environment Protection Fund, the entity established and operating pursuant to EPF’s Establishment Decree, provided with legal personality distinct from that of the Recipient and possessing administrative and financial autonomy under the Recipient’s laws and regulations, for purposes of financing eligible activities to strengthen environmental protection, natural resources and biodiversity management, biodiversity conservation and management and community development in Lao PDR, including the selection, approval and financing of Sub-projects, and any successor thereto.

15. “EPF’s Establishment Decree” means the Prime Minister’s Decree on the Establishment of the National Environment Fund, No.146/PM, dated June 6, 2005.

16. “Ethnic Groups” means, for purposes of the Project, the social groups residing or engaged in livelihood activities in the Participating Provinces, each of which possesses a distinct social and cultural identity that makes it vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (a) a close attachment to ancestral territories and to the natural resources in these areas; (b) self-identification and identification by others as members of a distinct cultural group; (c) a language, often different from the Lao language; (d) presence of customary social and political institutions; and (e) primarily subsistence-oriented production.

17. “Ethnic Groups Planning Framework” means the framework included in the CEF, setting out the strategy to be implemented in the carrying out of the Project in areas where Ethnic Groups are residing, cultivating, hunting and carrying out other similar social activities, which strategy includes special planning measures or actions to be undertaken aimed at ensuring that through informed consultation the Ethnic Groups receive the benefits from the Project in a culturally compatible manner acceptable to them, and do not suffer adverse effects as a result of the implementation of the Project; as said framework may be modified from time to time with the prior no-objection of the Association, and such term includes any schedules or annexes to such framework.


20. “Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.


22. “Participatory Land Use Plan” means any plan to be prepared in accordance with the CEF, pursuant to Section I.E of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, setting out the measures to be undertaken to recognize, identify and distinguish customary tenure by identifying existing land and natural resources use and demarcating boundaries between different zones; as said plan may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such plan.

23. “Pest Management Plan” means the plan included in the ESMF, setting out measures to develop and implement integrated pest management and safe handling of pesticides in the course of Project implementation; as the said plan may be modified from time to time with the prior written no-objection of the Association.

24. “Preparation Advance” means the advance for the preparation of the Project referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on January 30, 2013 and on behalf of the Recipient on June 28, 2013.

25. “Process Framework” means the framework included in the CEF, setting out the mechanisms through which Displaced Persons living in and around protected areas will participate in determining any restrictions of access to natural resources, the assessment of the impact of any such restrictions, the
determination of remedial measures to redress those impacts, and the resolution of any grievances, as well as the definition and implementation of a monitoring program to assess the adequacy of any remedial measures; as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.


27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 4, 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.

28. “Project Implementation Manual” and the acronym “PIM” each means the manual adopted by EPF for the implementation of the Project referred to in Section I.C of Schedule 2 to this Agreement, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) eligibility criteria, appraisal, approval and administration arrangements and procedures for Sub-projects and terms and conditions of Sub-grant Agreements including, inter alia, those referred to in Section I.E of this Schedule; (c) disbursement and financial management; (d) procurement; (e) environmental and social safeguards management; (f) monitoring and evaluation, reporting and communication; and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; as said manual may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules to such manual.

29. “Resettlement Action Plan” means any plan to be prepared in accordance with the Resettlement Policy Framework, pursuant to Section I.E of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, and containing a program of actions, measures and policies for compensation and resettlement of Displaced Persons, including details on the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms; as said plan may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such plan.

30. “Resettlement Policy Framework” means the framework included in the Community Engagement Framework, setting out measures and actions to be
taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to any Displaced Persons; as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.

31. "Safeguard Assessment and Plan" means any Environmental and Social Impact Assessment, Environmental and Social Management Plan, Participatory Land Use Plan, Community Action Plan, Conservation Agreement or Resettlement Action Plan, to be prepared in accordance with the ESMF or the CEF, as the case may be, pursuant to Section I.E of Schedule 2 to this Agreement; and “Safeguard Assessments and Plans” means, collectively, all such assessments and plans.

32. "Sub-grant" means a grant to be made available by the EPF out of the proceeds of the Financing to a Beneficiary to finance the reasonable costs of goods, works and services in accordance with the provisions of the respective Sub-grant Agreement; and “Sub-grants” means, collectively, all such Sub-grants.

33. “Sub-grant Agreement” means the agreement to be entered into between the EPF and the respective Beneficiary for the purposes of implementing and financing a Sub-project; and “Sub-grant Agreements” means collectively, all such Sub-grant Agreements.

34. “Sub-project” means a set of specific activities under Parts 1 and 2 of the Project to be carried out by a respective Beneficiary utilizing the proceeds of a Sub-grant; and the term “Sub-projects” means all such Sub-projects.

35. “Subsidiary Grant Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the EPF.

36. "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training and educational activities, workshops and study tours under the Project as set forth in the respective Annual Work Plan and Budget, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, scholarships, and other costs directly related to training or education course, workshop or study tour preparation and implementation, but excluding fees of consultants.