Financing Agreement

(National Road 13 Improvement and Maintenance Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) under a Co-financing Agreement to be entered into between the Recipient and the Asian Infrastructure Investment Bank ("AIIB") as Co-financier ("AIIB Co-financing Agreement"), the AIIB has agreed to provide the Recipient with a loan in a total amount equivalent to forty million Dollars (US$40,000,000) ("AIIB Co-financing") in support of Parts 1.1 and 2.3(a) of the Project described in Schedule 1 to this Agreement;

(B) under a Co-financing Agreement to be entered into between the Recipient and the Nordic Development Fund ("NDF") as Co-financeer ("NDF Co-financing Agreement"), NDF has agreed to provide the Recipient with a loan and a grant in a total amount equivalent to eight million Euro (€8,000,000) ("NDF Co-financing") in support of Parts 1.2, 2.2 and 2.3(b) of the Project described in Schedule 1 to this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing to extend the Financing specified in Section 2.01 of this Agreement 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) apply to and form 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 the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to twenty seven million seven hundred thousand Special Drawing Rights (SDR 27,700,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

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

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

2.06. The Payment Dates are May 15 and November 15 in each year.

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

2.08. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Public Works and Transport ("MPWT") in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

4.01. The Co-financing Deadline for the effectiveness of the AIB Co-financing Agreement is April 30, 2019.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Condition of Effectiveness is that the NDF Co-financing 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.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
5.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient’s address is:

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

(b) the Recipient’s Electronic Address is:

Facsimile: 856-21-412142
E-mail: tpphasysithisone@yahoo.com

6.03. For purposes of Section 11.01 of the General Conditions:

(a) the Association’s address is:

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

(b) the Association’s Electronic Address is:

Facsimile: 1-202-477-6391
E-mail: laopdr@worldbank.org
AGREED as of the Signature Date.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By ________________________________
Authorized Representative

Name: Thipphakone CHANTHAVONGSA
Title: Deputy Minister of Finance
Date: 23 JUL 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By ________________________________
Authorized Representative

Name: Nicola Pontara
Title: Country Manager
Date: 23 July 2018
SCHEDULE 1

Project Description

The objective of the Project is to improve the road condition, safety and climate resilience on critical sections of National Road 13.

The Project consists of the following parts:

Part 1. Road Improvement and Maintenance

1.1. Carrying out of output and performance based road improvement, operation and maintenance works on selected sections of National Road 13.

1.2. Acquisition of land required for the implementation of works under Part 1.1 of the Project.

Part 2. Technical Assistance and Supervision

2.1. (a) Carrying out of traffic safety and overload control activities on the selected sections of National Road 13; and (b) provision of technical assistance for monitoring and supporting the implementation of environmental and social safeguard activities related to Part 1 of the Project.

2.2. Provision of technical assistance for the management of the output and performance based road works contract under Part 1.1 of the Project.

2.3. Provision of technical assistance to prepare future investments in road improvement and maintenance of other selected sections of National Road 13, including: (a) preparation of the conceptual design and related technical studies; and (b) preparation of environmental and social documents.

Part 3. Project Management

Provision of technical and operational assistance for the day-to-day management of Project activities including training on output and performance based contracting, Project planning and execution, financial management, procurement, monitoring and evaluation, and technical and financial audits.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Steering Committee

The Recipient shall maintain, throughout the Project implementation period, a Project Steering Committee, with a mandate, composition and resources satisfactory to the Association, which shall: (a) be chaired by the Minister of MPWT and include the Vice Governor of Vientiane capital and Vientiane province, the MPWT’s departments involved in the implementation of the Project, and other ministries involved in the implementation of the Project; (b) meet semi-annually or more often as required; and (c) be responsible for, inter alia: (i) providing strategic and policy guidance on the implementation of Project activities; and (ii) supporting coordination of Project activities.

2. MPWT Project Implementation Structures

The Recipient shall maintain, throughout the Project implementation period, Project implementation structures within MPWT, with functions, resources and staff in numbers and with terms of reference and qualifications satisfactory to the Association, which shall be responsible for, inter alia: (a) the overall administration of the Project, including the preparation of Annual Work Plans and Budgets; (b) the overall administration of financial management, procurement, environmental and social safeguards management, and communication of all Project activities; (c) the overall monitoring, evaluation and reporting of Project activities; and (d) reporting to the Project Steering Committee on the implementation of Project activities.

B. Project Operations Manual

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

1. The Recipient shall furnish to the Association, not later than November 30 of each Fiscal Year during the implementation of the Project (or such other date as the Association may agree) for the Association’s no-objection, a consolidated Annual Work Plan and Budget ("AWPB") containing all Project activities and Eligible Expenditures proposed to be included in the Project in the Recipient’s following Fiscal Year, including the Association’s, the Recipient’s and the Co-financiers’ respective shares of the costs in the AWPB.

2. The Recipient shall ensure that the Project is implemented in accordance with the AWPB (provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall provide, promptly as needed, its share of the Project financing as specified in the AWPB.

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

D. Technical Audits

1. The Recipient shall, not later than October 15, 2019, appoint and thereafter maintain throughout the Project implementation period, an independent technical auditor, with terms of reference and qualifications satisfactory to the Association, for the purpose of carrying out independent technical audits of the works financed under the Project.

2. Without limitation on its other reporting obligations under this Agreement, the Recipient shall: (a) not later than December 15 of each year during the implementation of the Project, commencing on December 15, 2019, furnish to the Association the reports of the independent technical auditor referred to in paragraph 1 above; and (b) promptly thereafter take measures, acceptable to the Association, to address the findings and implement the recommendations of each such report.

E. OPBRC Sustainability Plan

The Recipient shall adopt, not later than twelve (12) months prior to the Closing Date, a sustainability plan, in form and substance satisfactory to the Association, specifying actions and budget designed to ensure the continued and effective implementation of the OPBRC in the period after the Closing Date, including, inter alia, financial, institutional sustainability, and monitoring and supervision measures to be put in place by MPWT for the full period of the operation and maintenance phase of the OPBRC.
F. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Instruments. Without limitation upon the foregoing, the Recipient shall ensure that each contract for civil works to be financed under the Project shall include the obligation of the relevant contractor to carry out such works in accordance with the Safeguards Instruments.

2. The Recipient shall not amend, abrogate or waive the Safeguard Instruments or any of their provisions, unless the Association has provided its prior no-objection thereof in writing, and the Recipient has ensured compliance with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

3. The Recipient shall ensure that: (a) all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, 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 procedures and carrying out capacity building activities under the Project, due attention is given to said policies and laws, in accordance with the guidelines set forth in the Safeguard Instruments.

4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall ensure that consolidated reports on the status of compliance with the Safeguard Instruments are collected, compiled and furnished to the Association on a six (6) monthly basis (or such other frequency as may be agreed with the Association), 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.

5. In the event of any conflict between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.
Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

B.  Mid-term Review

The Recipient shall: (a) on or about the date thirty (30) months after the Effective Date, 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 Part A above, and setting out the measures recommended to ensure the continued efficient implementation of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association such mid-term report, on or about the date forty-five (45) days after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

Section III.  Withdrawal of the Proceeds of the Financing

A.  General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and up to the percentage set forth against each Category of the following table:
### Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Road improvement works (excluding maintenance works) under Part 1.1 of the Project</td>
<td>25,300,000</td>
<td>100% of the Financing's agreed share of the cost specified in the approved AWPB for each FY</td>
</tr>
<tr>
<td>(2) Goods, consulting services, non-consulting services, Training and Operating Costs under Parts 2.1 and 3 of the Project</td>
<td>2,400,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>27,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for:

   (a) payments made prior to the Signature Date; or

   (b) payments made for Eligible Expenditures under Category (1), until and unless the AIIB Co-financing 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 have been fulfilled.

2. The Closing Date is May 31, 2023.
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 May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>commencing November 15, 2023 to and including May 15, 2043</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing November 15, 2043 to and including May 15, 2048</td>
<td>3.40%</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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. "AIIB Co-financing" means a loan of forty million Dollars (US$ 40,000,000) to be provided by AIIB to assist in financing Parts 1.1 and 2.3(a) of the Project.

2. "AIIB Co-financing Agreement" means the agreement providing for the AIIB Co-financing to be entered into between the Recipient and the AIIB.

3. "Annual Work Plan and Budget" and the acronym “AWPB” each means the plan and budget which have received the Association’s no-objection in accordance with Section I.C of Schedule 2 to this Agreement; as said plan may be modified from time to time with the prior written no-objection of the Association.

4. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and July 1, 2016.

5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. “Co-financier” means, for purposes of paragraph 13 of the Appendix to the General Conditions, AIIB or NDF, and “Co-financiers” means, collectively, AIIB and NDF.

7. “Co-financing” means the AIIB Co-financing and the NDF Co-financing.

8. "Co-financing Agreement" means, for purposes of paragraph 15 of the General Conditions, the AIIB Co-financing Agreement or the NDF Co-financing Agreement, and “Co-financing Agreements” means, collectively, both of the said agreements.

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. “EGEP” means the Recipient’s Ethnic Groups Engagement Plan for the Project, dated January 23, 2018, setting out the measures to be undertaken to ensure...
culturally appropriate social and economic benefits for the Ethnic Groups affected by Project activities, and to avoid, minimize, mitigate and/or compensate 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 no-objection of the Association, and such term includes any schedules or annexes to such plan.

11. “ESMP” means the Recipient’s Environmental and Social Management Plan for the Project, dated February 2018, setting out, inter alia, details of measures to manage potential environmental and social risks and avoid, minimize and/or mitigate any adverse environmental and social impacts associated with the implementation of Project activities, together with adequate budget, institutional, monitoring, reporting and grievance redress 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 annexes and schedules to such plan.

12. “Ethnic Groups” means social groups residing or engaged in livelihood activities in the Project area, which have a distinct, vulnerable, social and cultural identity, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.

13. “Fiscal Year” and the acronym “FY” each means the Recipient’s fiscal year, which commences on January 1 and closes on December 31 of each year.


15. “MPWT” means the Recipient’s Ministry of Public Works and Transport, or any successor thereto which the Association has confirmed in writing is acceptable for the implementation of the Project.


17. “NDF Co-financing” means an amount of eight million Euro (€ 8,000,000) to be provided by NDF to assist in financing Parts 1.2, 2.2 and 2.3(b) of the Project.

18. “NDF Co-financing Agreement” means the agreement providing for the NDF Co-financing to be entered into between the Recipient and the NDF.
19. “OPBRC” means the output and performance based road contract for the rehabilitation, operation and maintenance of road works included under Part 1.1 of the Project, to be concluded between the Recipient and the road works contractor.

20. “Operating Costs” means reasonable costs required for the day-to-day coordination, administration, operation 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, operating costs of information campaigns including media costs; 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 and costs of contractual staff directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.


22. “Project Operations Manual” and the acronym “POM” each means the Recipient’s manual referred to in Section LB of Schedule 2 to this Agreement, in form and substance satisfactory to the Association, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social safeguards management; (e) monitoring, evaluation, reporting and communication; and (f) 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, annexes and attachments to the Project Operations Manual.

23. “Project Steering Committee” means the committee referred to in Section LA of Schedule 2 to this Agreement.

24. “RAP” means the Recipient’s Resettlement Action Plan for the Project dated January 23, 2018, setting out, inter alia, measures for compensation and resettlement of any Displaced Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring, reporting and grievance redress 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 annexes and schedules to such plan.
25. "Safeguard Instruments" means the EGEP, the ESMP and the RAP.

26. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

27. "Training" means the reasonable costs incurred by the Recipient for training under the Project and directly attributable to seminars, workshops and study tours, along with travel and subsistence allowances for training participants, course fees, services of trainers, rental of training facilities, preparation, acquisition, distribution and reproduction of training materials, and other activities directly related to course preparation and implementation.