European Union Food Crisis Rapid Response Facility Trust Fund Grant Agreement

(Lao Uplands Food Security Improvement Project)

among

LAO PEOPLE’S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the European Union Food Crisis Rapid Response Facility Trust Fund

Dated June 4, 2010
EU FCRR TF GRANT NUMBER TF097058

EUROPEAN UNION FOOD CRISIS RESPONSE FACILITY TRUST FUND
GRANT AGREEMENT

AGREEMENT dated June 4, 2010, entered into between: LAO PEOPLE’S
DEMOCRATIC REPUBLIC (“Recipient”); and INTERNATIONAL DEVELOPMENT
ASSOCIATION (“World Bank”), acting as Administrator of the European Union Food
Crisis Rapid Response Facility Trust Fund.

WHEREAS:

(A) under an agreement of the same date (“Financing Agreement”), the
International Development Association agreed to provide the Recipient with a Grant in an
amount equivalent to six million six hundred thousand Drawing Rights (SDR 6,600,000)
to assist in the financing of the Lao Uplands Food Security Improvement Project
described in Schedule 2 to the Financing Agreement;

(B) the European Union through the International Development Association
(“World Bank”), acting as Administrator of the European Union Food Crisis Rapid
Response Facility Trust Fund has agreed on the basis, inter alia, of the foregoing to
extend additional assistance to the Recipient for Part 1, Part 2.1, Part 3.1 and Part 4 of
the Lao Uplands Food Security Improvement Project;

NOW THEREFORE the Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various
Funds, dated July 1, 2008 (“Standard Conditions”), 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 Standard Conditions or in
the Appendix to the Financing Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the Project. To this
end, the Recipient shall carry out Parts 1, 2, and 4 of the Project through the
MAF and cause Part 3 of the Project to be carried out by the PRF (“Project Implementing Entity”) in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time (“Project Agreement”).

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank, acting as administrator of the European Union Food Crisis Rapid Response Facility Trust Fund, agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million three hundred sixty thousand Euros (€3,360,000) (“Grant”) to assist in financing Part 1, Part 2.1, Part 3.1 and Part 4 of the Project in the provinces of Luang Prabang, Luang Namtha, Xiengkhouang, Savannakhet, Houaphan, and the city of Vientiane in the territory of the Recipient.

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

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
23 Singha Road
Nongbone Village
Saysetha District
Vientiane, Lao PDR

Facsimile:
856-21-412142

4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

AGREED at Vientiane, Lao People’ Democratic Republic as of the day and year first above written.

LAO PEOPLE’S DEMOCRATIC REPUBLIC

By /s/ Viengthong Siphandone Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the European Union Food Crisis Rapid Response Facility Trust Fund

By /s/ Annette Dixon Authorized Representative
SCHEDULE 1

Project Description

The objectives of the Project are to: (a) contribute to improved food security of rural households in selected poor villages in the uplands areas of the Project Provinces by demonstrating and implementing improved rice-based farming systems; and (b) address recovery needs of cyclone-affected households in the Xekong, Saravane and Attapeu provinces.

The description of the Project in Schedule 1 to the Financing Agreement is incorporated by reference in this Schedule 1 to this Agreement.
Section I. Implementation Arrangements

A. Implementation Arrangements

The Implementation Arrangements mentioned in Section I.A of Schedule 2 to the Financing Agreement are incorporated by reference in this Section I.A of Schedule 2 to the Agreement.

B. Subsidiary Agreement

The provisions on the Subsidiary Agreement mentioned in Section I.B of Schedule 2 to the Financing Agreement are incorporated by reference in this Section I.B of Schedule 2 to the Agreement.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. The Recipient shall, and shall cause the PRF to, implement the Project in accordance with the Environmental and Management Framework, including the provisions on Ethnic Groups set forth therein.

2. Except as the Association shall otherwise agree, the Recipient shall not amend or waive any provision of the Environmental and Social Management Framework if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

3. The Recipient shall ensure that activities financed under the Project shall not involve any land acquisition or involuntary resettlement of the local population and/or businesses. In the event that any land is required for the Project or any resettlement is to be carried out, the Recipient shall, in consultation with the Association, ensure that such land shall be obtained and such resettlement carried out in accordance with plans agreed with the Association and set out in the Environmental and Social Management Framework.
E. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the European Union support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall upon the World Bank’s request, take all measures required on its part to enable the representatives of the European Union to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall, through MAF, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
Section III. **Procurement**

1. The Procurement Arrangements mentioned in Section III of Schedule 2 to the Financing Agreement are incorporated by reference in this Section III to this Agreement.

Section IV. **Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant (“Category”), the allocations of the amounts 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 Grant Allocated (expressed in Euros)</th>
<th>Percentage of Expenditures to be Financed (exclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Consultants’ Services, Incremental Operating Costs and Training and Workshops under Part 1, Part 2.1, Part 3.1 (b) and Part 4 of the Project</td>
<td>2,240,000</td>
<td>85% or other percentage determined from time to time by the World Bank</td>
</tr>
<tr>
<td>(2) Goods, Works, Consultants’ Services, Incremental Operating Costs and Training and Workshops under Part 2.2 and Part 3.2 (b) of the Project</td>
<td>0</td>
<td>N/A</td>
</tr>
</tbody>
</table>
### B. Withdrawal Conditions; Withdrawal Period

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

2. The Closing Date is August 31, 2011 and the disbursement deadline date is October 31, 2011.

<table>
<thead>
<tr>
<th>Sub-grants under Part 3.1 (a) of the Project</th>
<th>1,120,000</th>
<th>85% or other percentage determined from time to time by the World Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sub-grants under Part 3.2 (a) of the Project</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,360,000</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 2
To
SCHEDULE 2

National Competitive Bidding Procedures

Annex 2 to Schedule 2 to the Financing Agreement is incorporated by reference in this Annex.
ANNEX

The definitions included in Section 1 of the Annex to Schedule 2 to the Financing Agreement are included by reference in this Annex.