Financing Agreement

(Lao Road Sector Project 2)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 7, 2017
FINANCING AGREEMENT

AGREEMENT dated February 7, 2017, entered into between the LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS under a financing agreement ("Co-financing Agreement") to be entered into between the Recipient and the Nordic Development Fund ("Co-financier"), the Co-financier has agreed to provide the Recipient with a loan and a grant in a total amount equivalent to eleven million Euro (€11,000,000) ("Co-financing") in support 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 such additional assistance 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 credit in an amount equivalent to eighteen million Special Drawing Rights (SDR 18,000,000) (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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are April 15 and October 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 objective of the Project. To this end, the Recipient carry out the Project through MPWT in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 — EFFECTIVENESS; TERMINATION

4.01 The Additional Condition of Effectiveness is that the 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.

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

4.03. 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 V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient's Address is:

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

Facsimile:

856-21-412142

5.03. 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

Authorized Representative

Name: 

Title: Deputy Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Ulrich Zachau

Title: country Director
SCHEDULE 1

Project Description

The objective of the Project is to strengthen maintenance systems to improve reliable road connectivity in the Lao People’s Democratic Republic and to provide immediate and effective response in case of an Eligible Crisis or Emergency.

The Project consists of the following parts:

Part 1: Climate Resilient Road Maintenance

1.1 Periodic Maintenance and Spot Improvements. Carrying out of climate resilient periodic maintenance and spot improvements of provincial and district roads in the Target Provinces, consisting of: (a) roads selected in accordance with the respective Annual Work Plans and Budgets for financing by the Association; and (b) roads selected in accordance with the respective Annual Work Plans and Budgets for financing by the Co-financier.

1.2 Routine Maintenance. Carrying out of routine maintenance of provincial and district roads in the Target Provinces.

1.3 Design and Supervision. Provision of technical and operational assistance for the design and supervision, procurement, quality assurance, contract management, and other technical management of the works carried out under Parts 1.1 and 1.2 of the Project.

Part 2: Institutional Strengthening

2.1 Strategic Planning and Financing. Carrying out of a program of activities to: (a) strengthen the capacity to update and operationalize the Recipient’s national transport sector strategy and action plan; (b) strengthen the capacity to improve road sector policy and financing frameworks; and (c) strengthen the capacity for strategic management of MPWT and DPWT.

2.2 Sector Governance. Carrying out of a program of activities to: (a) improve the road asset management system; (b) upgrade and roll out the road sector information and communication technology system; (c) upgrade the accounting system and expenditure tracking tools in the road sector; (d) strengthen the internal control systems of provincial road authorities; and (e) strengthen overloading control through the provision of a weighting station on national road NR13 in Bolikhamxay province.

2.3 Climate Resilient Road Asset Management. Carrying out of a program of activities: (a) for financing by the Co-financier to (i) develop MPWT’s climate
change action plan, (ii) operationalize hazard maps into practical vulnerability maps for planning of road infrastructure maintenance or investments, (iii) review and update current tools for road management and maintenance planning, (iv) prepare a medium-term climate resilient national road preservation plan, (v) review and update road sector designs, standards and guidelines to incorporate climate resilience aspects, and (vi) design mechanisms to strengthen emergency road repair management; and (b) for financing by the Association to carry out annual field surveys to include necessary data in the road management information systems for risk-based planning.

2.4 Capacity Building. Carrying out of a program of activities to: (a) strengthen the operating, fiduciary and human resource systems of MPWT and provincial and district road authorities; (b) strengthen the capacity of MPWT and other relevant government agencies to assess and manage the technical, environmental and social aspects of potential future public private partnerships and performance based contracting modalities in the road sector; (c) develop or update environmental and social management manuals and procedures in the road sector; and (d) develop and implement traffic safety action plans, audit manuals, training programs and public awareness raising campaigns.

Part 3: Project Management

Provision of technical and operational assistance for the day-to-day management, monitoring and evaluation of the Project, and the carrying out of technical, procurement and financial audits.

Part 4: Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

For the purposes of ensuring the efficient and effective carrying out the Project, the Recipient shall maintain, at all times during the implementation of the Project, Project implementation structures within MPWT, DPWT and OPWT with 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.

B. Project Operational Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operational 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. Memoranda of Understanding

1. To facilitate the carrying out of the Project, the Recipient shall, through MPWT, not later than three (3) months after the Effective Date, enter into a memorandum of understanding with each Target Province, under terms and conditions satisfactory to the Association (“Memorandum of Understanding”), which shall specify the responsibilities of, and the modalities of cooperation between MPWT and the DPWT and OPWT in each Target Province including: (a) the DLI Targets, DLI Values and DLI Target Achievement Dates for the respective Target Province; (b) the respective Target Province’s obligation to comply with the relevant provisions of the Project Operational Manual, including the verification protocol containing the technical standards and arrangements and procedures for the monitoring, reporting and verification of DLIs; and (c) the Recipient’s obligation to provide all such resources as may be necessary for the respective Target Province to carry out the aforesaid responsibilities, all in accordance with the provisions of this Agreement.

2. The Recipient shall exercise its rights under the Memoranda of Understanding in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall
otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Memoranda of Understanding or any of their provisions.

D. Annual Work Plans and Budgets

1. The Recipient shall ensure that the Association is furnished, not later than June 1 of each fiscal year of the Recipient 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 (“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, the Target Provinces’ and the Co-financier’s respective shares in the cost of 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.

E. Technical and Procurement Audits

1. The Recipient shall, not later than March 31, 2018, appoint and thereafter maintain throughout the Project implementation period, independent technical and procurement auditor(s), with terms of reference and qualifications satisfactory to the Association, for the purpose of carrying out independent technical and procurement audits of the goods, works and services financed under the Project, including the technical verification of the achievement of DLI Targets in accordance with the verification protocol set forth in the POM.

2. Without limitation on its other reporting obligations under this Agreement, the Recipient shall: (a) not later than June 30 of each year during the Project implementation period, commencing on June 30, 2018, furnish to the Association the reports of the independent technical and procurement auditor(s) 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.
F. **Environmental and Social Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Management Framework, the Resettlement Policy Framework, and the Ethnic Group Policy Framework.

2. Whenever a Safeguard Assessment and Plan shall be required for any proposed Project activity in accordance with the provisions of the ESMF, the RPF and the EGPF, the Recipient shall ensure that: (a) prior to the commencement of such activity, such Safeguard Assessment and Plan is, as applicable: (i) prepared and furnished to the Association for review and no-objection; (ii) disclosed and consulted upon in accordance with the provisions of the ESMF, the RPF and the EGPF, as the case may be; and (iii) thereafter finalized and adopted 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 RPF, the EGPF and any Safeguard Assessment and Plan, 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.

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, 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 ESMF.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall ensure that consolidated reports on the status of compliance with the ESMF, the RPF, the EGPF and the Safeguard Assessments and Plans 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.
6. In the event of any conflict between the provisions of any of the ESMF, the RPF, the EGPF and the Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

G. Anti-Corruption

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

H. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 4 of the Project (“Emergency Response Part”), the Recipient shall ensure that:

(a) an Emergency Response Manual (“ERM”) is prepared and furnished to the Association for its review and no-objection, which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) application of the relevant safeguard instruments to the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

(b) the Association is afforded a reasonable opportunity to review the proposed ERM;

(c) the ERM for the Emergency Response Part is promptly adopted as shall have been accepted by the Association;

(d) the Emergency Response Part is carried out in accordance with the ERM; provided, however, that in the event of any inconsistency between the provisions of the ERM and this Agreement, the provisions of this Agreement shall prevail; and

(e) the ERM is not amended, suspended, abrogated, repealed or waived without prior written no-objection by the Association.
2. The Recipient shall ensure that no activities are undertaken under the Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

   (a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient and the Project Implementing Entity thereof; and

   (b) all safeguard instruments as may be required for said activities have been prepared and disclosed in accordance with the ERM, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall cause the Project Implementing Entity 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 Operational Manual. Each Project Report shall cover the period of six (6) months, 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) 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 paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out 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 one (1) month 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.
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 ensure that the Association is furnished, not later than forty-five (45) days after the end of each six (6) months of the Recipient’s fiscal year, interim unaudited financial reports for the Project covering the six (6) months, 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. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) 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) Direct Contracting; (d) Procurement from United Nations Agencies; and (e) Community Participation procedures which have been found acceptable to the Association and set out in the POM.

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 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.
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.

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.

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

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.

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.

E. Procurement of Emergency Expenditures under the Emergency Response Part

Notwithstanding any provision to the contrary in this Section, Emergency Expenditures required for activities included in the Emergency Response Part shall be procured in accordance with the procurement methods and procedures set forth in the ERM.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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 to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Table

<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) Works under Part 1.1(a) of the Project</td>
<td>10,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works under Part 1.2 of the Project</td>
<td>2,200,000</td>
<td>100% of the DLI Values</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consultants’ services, Training and Workshops, and Operating Costs under Parts 2.1, 2.2, 2.3(b), 2.4 and 3 of the Project</td>
<td>5,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Emergency Expenditures under Part 4 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>18,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 500,000 may be made for payments made prior to this date but on or after September 30, 2016, for Eligible Expenditure under Category (3); or

   (b) for Eligible Expenditures under Category (2), unless and until the Recipient has:

      (i) furnished evidence satisfactory to the Association in accordance with the verification protocol set forth in the Project Operational Manual that the Recipient has achieved the respective DLI Targets set forth in Schedule 4 to this Agreement against which withdrawal is requested, as the Association may agree to modify such DLI Targets by notice to the Recipient; and
(ii) complied with the additional instructions referred to in Section IV.A of this Schedule, including furnished to the Association the applicable interim unaudited financial reports documenting the incurrence of Eligible Expenditures during the respective fiscal year up to the date against which withdrawal is requested; or

(c) for Emergency Expenditures under Category (4), unless and until the Association is satisfied that all of the following conditions have been met in respect of said expenditures:

(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said crisis or emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(ii) the Recipient has ensured that all safeguards instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Sections I.H of this Schedule;

(iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.H of this Schedule, for the purposes of said activities; and

(iv) the Recipient has adopted the ERM, in form and substance acceptable to the Association, and the provisions of the ERM remain - or have been updated in accordance with the provisions of Section I.H of this Schedule 2 so as to be - appropriate for the inclusion and implementation of the Emergency Response Part.

2. Notwithstanding the provisions of Parts A and B.1(b) of this Section, the amount of the Financing to be withdrawn upon the verified achievement of any DLI Target shall correspond to the DLI Value of such DLI Target as set forth in Schedule 4 to this Agreement, as the Association may agree to modify such DLI Value by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw as an advance under Category (2) an amount not to exceed the total amount of the DLI Values against the DLI Targets which are set to be achieved.
during a given year; provided, however, that if any of the DLI Targets for such year, in the opinion of the Association, are not achieved or are only partially achieved by the relevant DLI Target Achievement Date, then: (a) the amount of the advance for any subsequent year shall be reduced by an amount corresponding to the amount of the DLI Value(s) (or portion of such amount as applicable) of the unachieved or partially unachieved DLI Target(s); or (b) in the case any DLI Target(s) remaining unachieved or partially unachieved after the Closing Date, the Recipient shall refund to the Association the amount of the advance corresponding to the amount of the DLI Value(s) (or portion of such amount as applicable) of the unachieved or partially unachieved DLI Target(s), promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded.

4. Notwithstanding the provisions of Part B.1(b) of this Section, if the Association shall determine, based on the evidence furnished by the Recipient under Part B.1 of this Section, that:

(a) any DLI Target has been partially achieved, the Association may in its sole discretion authorize the withdrawal of a portion of the amount of the Financing then allocated to said DLI Target, calculated on a pro rata basis in respect of the level of partial achievement of said DLI Target; and

(b) any DLI Target has not been fully achieved by its DLI Target Achievement Date, the Association may in its sole discretion, by notice to the Recipient: (i) withhold in whole or in part the amount of the Financing allocated to such DLI Target; (ii) disburse in whole or in part the withheld amount of the Financing allocated to such DLI Target at any later time prior to the Closing Date if and when the Association shall be satisfied that the DLI Target for any subsequent year (if applicable) has been fully achieved; (iii) reallocate in whole or in part any withheld amount of the Financing allocated to such DLI Target; and/or (iv) cancel in whole or in part any withheld amount of the Financing allocated to such DLI Target.

4. The Closing Date is August 31, 2022.
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 April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2022 to and including October 15, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing April 15, 2032 to and including October 15, 2041</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amounts of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
**SCHEDULE 4**

**Disbursement Linked Indicators with DLI Targets and DLI Values**

<table>
<thead>
<tr>
<th>DLI</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of provincial and district roads in the Target Provinces maintained in Good and Fair Condition</td>
<td>DLI Target: 2,169 km</td>
<td>DLI Target: 2,432 km</td>
<td>DLI Target: 2,694 km</td>
<td>DLI Target: 2,856 km</td>
</tr>
<tr>
<td></td>
<td>DLI Value: SDR 212 per km, up to a total of SDR 460,000</td>
<td>DLI Value: SDR 212 per km, up to a total of SDR 520,000</td>
<td>DLI Value: SDR 212 per km, up to a total of SDR 580,000</td>
<td>DLI Value: SDR 212 per km, up to a total of SDR 640,000</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” and the acronym “AWPB” each means the work plan and budget referred to in Section I.D 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.


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


5. “Disbursement Linked Indicator” or “DLI” means any one of the indicators set out in the table in Schedule 4 to this Agreement for the purposes of Part 1.2 of the Project.

6. “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.

7. “DLI Target” means the annual targets set to be achieved under each DLI as set forth in the table in Schedule 4 to this Agreement, as such targets may be modified by the Association by notice to the Recipient.

8. “DLI Target Achievement Date” means, with regard to each DLI Target, the end of the year during which the relevant DLI Target is set to be achieved as set forth in the table in Schedule 4 to this Agreement.

9. “DLI Value” means the total amount of the Financing allocated to each DLI Target as set forth in the table in Schedule 4 to this Agreement, as such amount may be reallocated by the Association in whole or in part among the DLI Targets or among the Categories by notice to the Recipient.
10. “DPWT” means Department of Public Works and Transport in each Target Province, or any successor thereto.

11. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.


13. “Emergency Response Manual” and the acronym “ERM” each means the plan referred to in Section I.H of Schedule 2 to this Agreement, to be adopted for the Emergency Response Part in accordance with the provisions of said Section.

14. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.

15. “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.

16. “Environmental and Social Assessment” means any assessment to be prepared in accordance with the ESMF pursuant to Section I.F of Schedule 2 to this Agreement, each such assessment in form and substance satisfactory to the Association, defining, inter alia, details of potential environmental and social risks and adverse impacts associated with the implementation of Project activities, as said assessment 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 assessment.

17. “Environmental and Social Management Framework” and the acronym “ESMF” each means the Recipient’s framework dated July 21, 2016, 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, monitoring, reporting and grievance redress procedures, including the Environmental Code of Practice, 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.

18. “Environmental and Social Management Plan” means any plan to be prepared in accordance with the ESMF pursuant to Section I.F of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association,
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.

19. "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.

20. "Ethnic Groups Policy Framework" and the acronym "EGPF" each means the Recipient's framework, dated June 8, 2016, 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, with related public consultation, disclosure, monitoring, reporting and grievance redress procedures, 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.

21. "Ethnic Groups Development Plan" and the acronym "EGDP" each means the plan to be prepared by the Recipient in accordance with the EGPF, pursuant to Section I.F 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 EGPF 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.
22. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

23. “Good and Fair Condition” means the standards for “good” and “fair” condition of roads under routine maintenance as defined and monitored through MPWT’s 2009 road condition survey guidelines and the verification protocol set forth in the Project Operational Manual.

24. “Memorandum of Understanding” means a memorandum of understanding to be entered into between the Recipient and a Target Province, and referred to in Section I.C of Schedule 2 to this Agreement, for the purpose of carrying out the Project in the respective Target Province, as such memorandum of understanding may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such memorandum of understanding; and “Memoranda of Understanding” means, collectively, all such Memoranda of Understanding between the Recipient and the Target Provinces.

25. “MPWT” means the Recipient’s Ministry of Public Works and Transport, or any successor thereto.

26. “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), website maintenance, 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 costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.

27. “OPWT” means District Office of Public Works and Transport in each Target Province, or any successor thereto.


29. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 18, 2016, 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.
30. “Project Operational Manual” and the acronym “POM” each means the manual adopted by Project Implementing Entity for the implementation of the Project referred to in Section I.B of Schedule 2 to this Agreement, 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 and evaluation, reporting and communication; (f) a verification protocol containing the technical standards and arrangements and procedures for the monitoring, reporting and verification of DLIs; 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.

31. “Resettlement Action Plan” means any plan to be prepared in accordance with the RPF, pursuant to Section I.F of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, 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.

32. “Resettlement Policy Framework” and the acronym “RPF” each means the Recipient’s framework, dated June 7, 2016, 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, and protocols and procedures for voluntary land donations, with related public consultation, disclosure, monitoring, reporting and grievance redress procedures; 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.

33. “Safeguard Assessment and Plan” means any Environmental and Social Assessment, Environmental and Social Management Plan, Ethnic Group Development Plan and Resettlement Action Plan to be prepared in accordance with the ESMF, the EGPF or the RPF, as the case may be, and the provisions of Section I.F of Schedule 2 to this Agreement, as said assessment and plan may be modified from time to time with the prior no-objection of the Association, and such term includes any annexes and schedules to such assessment and plan; and “Safeguard Assessments and Plans” means, collectively, all such assessments and plans.
34. “Target Provinces” means, unless otherwise agreed with the Association in writing, collectively, the provinces of Bolikhamsay, Houaphan, Oudomxay, Phongsaly, Xayabouly, and Xienkhouang in the Recipient’s territory, or any successor(s) thereto and any additional Provinces as the Association may agree to be included in the POM; and “Target Province” means, individually, any one of them.

35. “Training and Workshops” 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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.

3. The Appendix is modified by inserting a new paragraph 32 with the following
definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”

4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.

5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).