OFFICIAL DOCUMENTS

CREDIT NUMBER 6120-LA

Financing Agreement

(Lao PDR Southeast Asia Disaster Risk Management Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 30 August, 2017
CREDIT NUMBER 6120-LA

FINANCING AGREEMENT

AGREEMENT dated 30 August 2017, 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 as provided in Section 2.01 of this Agreement, to assist in the financing of the Project;

(B) the Recipient has also requested the Association, acting as administrator of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) Program Multi-Donor Trust Fund to provide additional assistance towards the financing of Part 3.1 of the Project and the Association, acting in such capacity, has agreed to make available a grant to the Recipient from the said trust fund to assist in the financing of the Project, pursuant to the grant agreement of even date herewith between the Recipient and the Association ("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 the Appendix to this Agreement.

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 twenty-one million nine hundred thousand Special Drawing Rights (SDR 21,900,000) (variously, "Credit" and "Financing"), to assist in financing the Project.
2.02. The Recipient may withdraw the proceeds of the Credit 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 February 15 and August 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 shall carry out the Project through its MPWT, MONRE, MPI and MOF 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness is that the 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.

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

Telex: 248423 (MCI)  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: Thipphakone CHANTHAVONGSA
Title: Deputy Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: CARNET
Title: Country Manager
SCHEDULE I

Project Description

The objective of the Project is to reduce the impacts of flooding in Muang Xay and enhance the Recipient’s capacity to provide hydro-meteorological services and disaster response.

The Project constitutes a part of a regional program designed to help reduce the impacts of natural hazards in South-east Asia, and consists of the following parts:


1.1. Structural Investments. Supporting: (a) flood protection infrastructure, including investments in riverbank protection, embankments, canal improvements, sluice gates, pumping stations, a river-side park, and tree planting; and (b) resettlement activities through assistance in financing for compensation and assistance to Displaced Person(s).

1.2. Non-structural Investments. Providing technical and analytical support for capacity-building on integrated urban flood risk management, including: (a) enhancing resilient planning; (b) developing eco-friendly urban design solutions; and (c) strengthening the operation and maintenance of flood protection systems.

1.3. Project Management. Provision of assistance to strengthen the institutional, organizational and technical capacity of MPWT to support implementation of Part 1 of the Project, including coordination, technical matters, procurement, financial management, social and environmental safeguards, monitoring and evaluation, and reporting.

Part 2: Hydromet Modernization and Early Warning Systems

2.1. Strengthening Early Warning Systems and Service Delivery Systems. Provision of technical support for early warning dissemination and service delivery systems, through, inter alia: (a) developing and implementing a service delivery strategy; (b) strengthening early warning services by developing localized and impact based warning products and enhancing the timely dissemination of warnings; (c) enhancing accessibility of hydro-meteorological information; (d) introducing a quality management system for service production and delivery; and (e) capacity building on service delivery, hydro-meteorological monitoring and forecasting, database management and communications systems.

2.2. Modernizing the Observing, Forecasting and Communications Systems. Supporting the expansion of the hydro-meteorological network, and forecasting and communications system in the Project Provinces, through, inter alia: (a) installing new and upgrading existing hydro-meteorological stations, (b) renovating selected office facilities;
and (c) enhancing forecasting, dissemination, communication, and information technology systems.

2.3. **Project Management** Provision of assistance to strengthen the institutional, organizational and technical capacity of MONRE to support implementation of Part 2 of the Project, including coordination, technical matters, procurement, financial management, social and environmental safeguards, monitoring and evaluation, and reporting.

**Part 3: Financial Planning for Disaster Resilience**

3.1. **Support for Strengthening National Financial Resilience** Provision of technical assistance to strengthen MOF’s capacity for financial planning for disaster resilience, including: (a) preparing and implementing a national disaster and climate risk finance strategy; (b) facilitating the Recipient’s engagement in the preparation and establishment of a regional disaster risk pooling mechanism, and (c) supporting day-to-day implementation of Part 3 of the Project.

3.2. **Payment of Disaster Risk Insurance Premium** Facilitating access to sovereign risk insurance, through the financing of Premia.

**Part 4: Knowledge and Coordination**

Provision of assistance to MPI for: (a) overall Project coordination and management, including monitoring and evaluation, and financial audits; (b) studies for mainstreaming disaster risk management in planning and investment; and (c) supporting day-to-day implementation of Part 4 of the Project.

**Part 5: 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 of the Project, the Recipient shall maintain, at all times during the implementation of the Project:
(a) Project implementation structures within MPWT, MONRE, MPI and MOF; and
(b) a national disaster risk financing and insurance working group; all 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 Operation Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operation Manual (provided, however, that in the event of any conflict between the arrangements and procedures set out in the Project Operation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of Project Operation Manual unless the Association has provided its prior approval thereof in writing.

C. Memoranda of Understanding

1. To facilitate the carrying out of Part I 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 Oudomxay, 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 Oudomxay including: (a) Oudomxay's obligation to comply with the relevant provisions of the Project Operation Manual; and (b) the Recipient's obligation to provide all such resources as may be necessary for Oudomxay to carry out the aforesaid responsibilities, all in accordance with the provisions of this Agreement.

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

D. Annual Work Plans and Budgets

1. The Recipient shall ensure that the Association is furnished, not later than October 31 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, and the Project Provinces’ 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. 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 Engagement Framework.

2. The Recipient shall:

   (a) take all necessary actions to avoid or minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently;

   (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the Resettlement Action Plans, and in a manner satisfactory to the Association; and

   (c) 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 FGFF, the Recipient shall ensure that: (i) prior to the
commencement of such activity, such Safeguard Assessment and Plan is, as applicable: (A) prepared and furnished to the Association for review and no-objection; (B) disclosed and consulted upon in accordance with the provisions of the ESMF, the RPF and the EGEF, as the case may be; and (C) thereafter finalized and adopted as accepted by the Association, in a manner satisfactory to the Association; and (ii) 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 EGEF 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 EGEF 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), and promptly in a separate report whenever the circumstances warrant, 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 EGEF and the Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.
F. Anti-Corruption

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

G. Contingent Emergency Response

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project ("Emergency Response Part"), the Recipient shall:

   (a) prepare and furnish to the Association for its review and approval, an Emergency Response Manual ("ERM") which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any special institutional structures or 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 the Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) environmental and social safeguard management arrangements and instruments for the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

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

   (c) promptly adopt the ERM for the Emergency Response Part as accepted by the Association;

   (d) ensure that 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) not amend, suspend, abrogate, repeal or waive any provision of the ERM without the prior written approval by the Association.

2. The Recipient shall, throughout the implementation of the Emergency Response Part, maintain the institutional structures and arrangements established in accordance with the ERM, with adequate staff and resources satisfactory to the Association.
3. The Recipient shall undertake no activities 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 thereof; and

(b) the Recipient has ensured the preparation and disclosure of all safeguard instruments as may be required for said activities in accordance with the ERM, the Association has approved all said 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 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 Operation Manual. Each Project Report shall cover the period of one (1) 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) 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 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.

3. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than three (3) months after the Closing Date.
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 on the provisions of Part A of this Section, 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. 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 Credit 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 Credit 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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set out in paragraph 3 of this Section III.B; (c) Direct Contracting; (d) Shopping; and (e) Procurement from UN Agencies.

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.
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 Credit 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 Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit 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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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 Credit (“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>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit 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, Training and Workshops, and Operating Costs under Part 1 of the Project and Resettlement Compensation required for Part 1.1 of the Project</td>
<td>9,850,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, Training and Workshops, and Operating Costs under Part 2 of the Project</td>
<td>7,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, non-consulting services, Training and Workshops, and Operating Costs under Part 4 of the Project</td>
<td>1,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Premia under Part 3.2 of the Project</td>
<td>3,650,000</td>
<td>100% of amount disbursed</td>
</tr>
<tr>
<td>(5) Emergency Expenditures under Part 5 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>21,900,000</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 4,380,000 may be made for payments made prior to this date but on or after May 25, 2017, for Eligible Expenditures under Categories (1) to (3);
for Eligible Expenditures under Category (4), unless and until the Recipient has requested the withdrawal of the Credit for the payment of Premia to the Southeast Asia Disaster Resilience Insurance Facility or the Association (or both), in each case in accordance with the relevant paragraph of Section V below; or

(c) for Emergency Expenditures under Category (5), unless and until the Association is satisfied, and notified the Recipient of its satisfaction, 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 the proposed 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 safeguard 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 Section I.G 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.G 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.G of this Schedule so as to be - appropriate for the inclusion and implementation of the Emergency Response Part.

3. The Closing Date is October 31, 2022.

Section V. Other Undertakings

1. Payment of Premia to Southeast Asia Disaster Resilience Insurance Facility. In the event that Recipient requests the withdrawal of the Credit for the payment of Premia to the Southeast Asia Disaster Resilience Insurance Facility, it shall: (a) prior to the financing of any Premia, submit to the Association evidence satisfactory to the Association regarding: (i) the establishment and operationalization of the Southeast Asia Disaster Resilience Insurance Facility,
and (ii) the execution of a Risk Transfer Agreement between the Recipient and the Southeast Asia Disaster Resilience Insurance Facility, acceptable to the Association; and (b) thereafter exercise its rights and perform its obligations under the Risk Transfer Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Risk Transfer Agreement or any provision thereof.

2. **Payment of Premia to the Association.** In the event that the Recipient requests the withdrawal of the Credit for the payment of Premia to the Association: (a) the Recipient and the Association shall execute an IDA Risk Transfer Agreement in respect of a disaster risk financing or transfer product under Part 3.2 of the Project, provided by the Association at the Recipient's request; and (b) on or before the effective date of any IDA Risk Transfer Agreement, the Association shall, on behalf of the Recipient, withdraw from the Financing Account and pay to itself the amounts required to pay the Premia up to the amount allocated from time to time for that purpose in Category (4) in the table in Section IV above.
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, 2022 to and including February 15, 2042</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing August 15, 2042 to and including February 15, 2047</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 3.03 (b) of the General Conditions.
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. "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.

6. "DPWT" means Department of Public Works and Transport in each Project Province, or any successor thereto.

7. "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.


9. "Emergency Response Manual" and "ERM" each means the plan referred to in Section I.G of Schedule 2 to this Agreement, to be adopted for the Emergency Response Part in accordance with the provisions of said Section.

10. "Emergency Response Part" means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 5 of the Project.
11. "Environmental and Social Assessment" means any assessment to be prepared in accordance with the ESMF pursuant to Section 1.6 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.

12. "Environmental and Social Management Framework" and the acronym "ESMF" each means the Recipient's framework dated April, 2017, 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, and small dams safety 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.

13. "Environmental and Social Management Plan" means any plan to be prepared in accordance with the ESMF pursuant to Section 1.6 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.

14. "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.

15. "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.

16. "Ethnic Groups Engagement Framework" and the acronym "EGEF" each means the Recipient’s framework, dated April 2017, 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.

17. "Ethnic Groups Development Plan" means any plan to be prepared by the Recipient in accordance with the EGEF, 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 in accordance with the EGEF 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.

18. "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.

19. "Grant Agreement" means the grant agreement of even date herewith between the Recipient and the World Bank, acting as administrator of the Southeast Asia Disaster Risk Insurance Facility (SEADRIF) Program Multi-Donor Trust Fund to provide additional assistance towards the financing of Part 3.1 of the Project.

20. "Memorandum of Understanding" means a memorandum of understanding to be entered into between the Recipient and Oudomxay, and referred to in Section I.C of Schedule 2 to this Agreement, for the purpose of carrying out Part 1 of the Project, 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.

21. "MOF" means the Recipient’s Ministry of Finance, and any successor thereto
22. "MONRE" means the Recipient's Ministry of Natural Resources and Environment, or any successor thereto.

23. "MPI" means the Recipient's Ministry of Planning and Investment, 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 Project Province, or any successor thereto.

28. "Oudomxay" means the Recipient's province of Oudomxay, or any successor thereto.

29. "Premia" such amounts as may be payable by the Recipient to either: (a) the Southeast Asia Disaster Resilience Insurance Facility under a Risk Transfer Agreement, acceptable to the Association; or (b) the Association from time to time in consideration for the entry into an IDA Risk Transfer Agreement.


31. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 25, 2017, 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.

32. "Project Operational Manual" and the acronym "POM" each means the manual adopted by Recipient for the implementation of the Project referred to in Section 1.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; 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 to such manual.

33. “Project Provinces” means, unless otherwise agreed with the Association in writing, collectively, the provinces of Oudomxay, Luangprabang, and Phongsaly, 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 “Project Province” means, individually, any one of them.

34. “Resettlement Action Plan” means any plan to be prepared in accordance with the RPF, pursuant to Section 1.E 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.

35. “Resettlement Compensation” means the costs of implementing the resettlement assistance and compensation measures required in accordance with the terms of the RAPs.

36. “Resettlement Policy Framework” and the acronym “RPF” each means the Recipient’s framework, dated April 2017, 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.

37. “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 EGEF or the RPF, as the case may be, and the provisions of Section 1.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.

38. “Southeast Asia Disaster Resilience Insurance Facility” means an insurance facility (of the same or any other name) to be established, in form and substance acceptable to the Association, for the purpose of providing disaster risk insurance to governments in the South East Asia region.

39. “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. Section 6.02 (b) (i) and (g) of the General Conditions is modified to read as follows:

   "(b) Performance Failure."
(i) The Recipient has failed to perform any other obligation under the Financing Agreement, any Risk Transfer Agreement, including an IDA Risk Transfer Agreement, (in the event that the proceeds of the Financing are used for payment of premia as may be provided in the Financing Agreement)."

"(g) Misrepresentation. A representation made by the Recipient in or pursuant to the Financing Agreement, any Risk Transfer Agreement, including an IDA Risk Transfer Agreement, (in the event that the proceeds of the Financing are used for payment of premia as may be provided in the Financing Agreement), or any representation or statement furnished by the Recipient and intended to be relied upon by the Association in making the Financing, or paying the premia as may be provided in the Financing Agreement or executing a transaction under an IDA Risk Transfer Agreement, was incorrect in any material respect."

3. Section 6.06 (b) of the General Conditions is modified to read as follows:

"(b) Performance Default.

(i) A default has occurred in the performance by the Recipient of any other obligation under the Financing Agreement, any Risk Transfer Agreement, including an IDA Risk Transfer Agreement, (in the event that the proceeds of the Financing are used for payment of premia as may be provided in the Financing Agreement) and such default continues for a period of sixty days after the notice of such default has been given by the Association to the Recipient.

(ii) A default has occurred in the performance by the Project Implementing Entity of any obligation under the Project Agreement and such default continues for a period of sixty days after the notice of such default has been given by the Association to the Project Implementing Entity and the Recipient."

4. 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".

5. 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)."

6. 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".
7. 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).

8. The following new definitions are inserted in the Appendix to the General Conditions as paragraphs 62-63:

62. "IDA Risk Transfer Agreement" means any contingent disaster risk financing or transfer agreement (including, without limitation, derivatives agreements, insurance contracts or similar instruments) entered into between the Recipient and the Association for the purpose of hedging the Recipient's exposure to natural disaster risks, as such agreement may be amended from time to time.

63. "Risk Transfer Agreement" means any contingent disaster risk financing or transfer agreement (including, without limitation, derivatives agreements, insurance contracts or similar instruments), acceptable to the Association entered into between the Recipient and a third party for the purpose of hedging the Recipient's exposure to natural disaster risks, as such agreement may be amended from time to time with the prior written no-objection of the Association."