H.E. Mr. Somydy Douangdy
Deputy Prime Minister
Minister
Ministry of Finance
Vientiane, Lao PDR

Excellency:

Re: Lao PDR: Small and Medium Enterprise Access to Finance Project
(IDA Grant No. H958-LA & IDA Credit No. 5471-LA)
Amendments to the Financing Agreement

We refer to the Financing Agreement dated August 14, 2014 between the Lao People’s Democratic Republic (“Recipient”) and the International Development Association (“Association”) for the above-referenced Project. We also refer to your letter dated August 12, 2016, requesting the Association to drop the Risk Sharing Facility component of the Project and revise the Project institutional arrangements.

We are pleased to inform you that the Association concurs with your request. Accordingly, the Association proposes to amend the Financing Agreement as follows:

1. The term “DOSMEP,” wherever used in the Financing Agreement, shall be replaced with the term “MOIC.”

2. Section 2.02 of the Financing Agreement shall be amended to read as follows:

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

3. Section 3.01 of the Financing Agreement shall be amended to read as follows:

   “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 Ministry of Industry and Commerce, in accordance with the provisions of Article IV of the General Conditions.”

4. Section 5.01 of the Financing Agreement shall be amended to read as follows:

   “5.01 The Recipient’s Representative is its Minister at the time responsible for finance.”

5. Part 2 (“Risk Sharing Facility”) in Schedule 1 to the Financing Agreement shall be deleted in its entirety, and Part 3 (“Technical Assistance”) shall be renumbered as Part 2.
6. Section I.A of Schedule 2 to the Financing Agreement shall be amended to read as follows:

“A. Institutional Arrangements

For the purposes of carrying out the Project, the Recipient shall maintain, at all times during the implementation of the Project, Project implementation structures within MOIC 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.”

7. Section I.F (“Risk Sharing Facility”) of Schedule 2 to the Financing Agreement shall be deleted in its entirety.

8. Section II.A of Schedule 2 to the Financing Agreement shall be amended to read as follows:

“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 PIM. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall: (a) not later than July 31, 2017, 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 one month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association’s views on the matter.”

9. Section II.B.2 of Schedule 2 to the Financing Agreement shall be amended to read as follows:

“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 six months, interim unaudited financial reports for the Project covering the six months, in form and substance satisfactory to the Association.”

10. The words “Parts 1 and 3 of the Project” in Sections III.A.1 and III.A.2 of Schedule 2 to the Financing Agreement shall be amended to read “the Project.”

11. The table set out in Section IV.A.2 of Schedule 2 to the Financing Agreement shall be amended to read as follows:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-loans under Part 1 of the Project</td>
<td>6,500,000</td>
<td>3,250,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Training and Operating Costs under Part 2 of the Project</td>
<td>3,250,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>6,500,000</td>
<td>6,500,000</td>
<td></td>
</tr>
</tbody>
</table>

12. Paragraph 1(c) of Section IV.B of Schedule 2 to the Financing Agreement (specifying disbursement conditions in respect of the Risk Sharing Facility) shall be deleted.

13. Paragraph 1 of the Appendix to the Financing Agreement shall be amended to read as follows:


14. Paragraph 17 of the Appendix to the Financing Agreement shall be amended to read as follows:

   “17. “Participating Financial Institution” and the acronym “PFI” each means a commercial bank established and operating pursuant to the laws of the Recipient, selected by MOIC following prior no objection by the Association, and which has met the eligibility criteria specified in the PIM and as a result has received or is proposed to receive a Financing from Category (1) under a Subsidiary Financing Agreement.”

15. Paragraph 21 of the Appendix to the Financing Agreement shall be amended to read as follows:

   “21. “Project Implementation Manual” and the acronym “PIM” each means the manual adopted by the Recipient 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) eligibility criteria, appraisal, approval and administration arrangements and procedures, and terms and conditions for the line of credit facility under Part 1 of the Project, including, inter alia, those referred to in Sections I.E of this Schedule; (c) disbursement and financial management; (d) procurement; (e) environmental and social safeguards management; (f) monitoring, reporting and evaluation; 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.”
16. Paragraph 30 of the Appendix to the Financing Agreement shall be amended to read as follows:

"30. "Sub-project" means a specific development project under Part 1 of the Project, which is carried out or proposed to be carried out by a beneficiary SME, in whole or in part through the utilization of the proceeds of a Sub-loan."

17. Paragraphs 4, 10, 12, 14, 16, 20, 22, 23, 24, 25, 28 and 32 of the Appendix to the Financing Agreement shall be deleted, and the remainder of the paragraphs in the Appendix shall be renumbered accordingly.

Except as specifically amended by this letter, all other provisions of the Financing Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement with the amendments set out above by countersigning, dating and returning to us the enclosed copy of this letter. Upon receipt by the Association of the countersigned copy of this letter, the amendments shall become effective as of the date of countersignature.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Ulrich Zachau

AGREED:
LAO PEOPLE'S DEMOCRATIC REPUBLIC

By: 

Authorized Representative

Name: Somdy DOUANGDY

Title: 

Date: 20 DEC 2016