Financing Agreement

(Mekong Integrated Water Resources Management Project)

between

LAO PEOPLE’S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 19, 2012
FINANCING AGREEMENT

AGREEMENT dated April 19, 2012, entered into between LAO PEOPLE’S DEMOCRATIC REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 grant in an amount equivalent to eleven million eight hundred thousand Special Drawing Rights (SDR 11,800,000) ("Financing") to assist in financing Parts 2 and 3 of 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 Payment Dates are May 15 and November 15 in each year.

2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out Parts 2 and 3.1(a) of the
Project through MONRE and Parts 3.1(b) and 3.2 of the Project through MAF 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 Parts 2 and 3 of the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) the Financing Agreement between the Association and the MRC for the implementation of Part 1 of the Project dated April 4, 2012, as the same may be amended or supplemented at any time, or part thereof, has been suspended; or

(b) the Recipient does not: (i) adhere to the principles and objectives of the Mekong River Commission; or (ii) respect its mutually agreed procedures including, inter alia, the Procedures for Notification, Prior Consultation, and Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the National Steering Committee - Lao PDR referred to in Section 1.A.2 of Schedule 2 to this Agreement has been established; and

(b) the Financing Agreement between the Association and the MRC for the implementation of Part 1 of the Project has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

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

5.03. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is its Minister of Finance.

6.02. The Recipient’s Address is:

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

   Facsimile:
   856-21-412142

6.03. The Association’s Address is:

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

   Cable: Telex: Facsimile:
   INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Washington, District of Columbia, United States of America, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC
By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to establish key examples of IWRM practices in the LMB at the regional, national, and sub-national levels, thus contributing to more sustainable river basin development in the LMB.

The Project constitutes the first phase of the Program, and consists of the following parts, the Recipient acknowledging and confirming that the Association shall not provide any financial or technical support under the Project for the Processing of a Dam in the mainstream Mekong:

Part 1: Regional Water Resources Management

1. Support the MRC in: facilitating IWRM dialogue between the Recipient, the Kingdom of Cambodia, the Kingdom of Thailand and the Socialist Republic of Vietnam; and implementing pilot activities that address urgent IWRM trans-boundary issues.

2. Support the MRC in assessing and establishing an approach for environmental impact risk and disaster risk assessment in the LMB.

3. Support the MRC in facilitating dialogue on and communication of IWRM principles to different stakeholders, including inter alia: governments, private sector, civil society and local communities.

4. Support the MRC in, inter alia:
   (a) implementing this Part 1 of the Project, and facilitating the implementation of Parts 2 and 3 of the Project to maintain the coherence and consistency of the activities in the LMB; and
   (b) the preparation of the second phase of the Program.

Part 2: National Water Resources Management

1. Support the MONRE in strengthening the Recipient’s legal framework for IWRM, including, inter alia: drafting a new law on Water Resources, and thereafter support the implementation of said law.

2. Strengthen the capacity of the NREI in water quality and aquatic ecosystem health including inter alia; through the establishment of a water quality monitoring laboratory.
3. Strengthen the capacity of the NREI in water resources modelling.

4. Support the MONRE in upgrading the hydro metrological data collection network, including *inter alia*: flood and drought warning systems.

5. Support the MONRE in the monitoring, administration, and oversight of Parts 2 and 3 of the Project, including *inter alia*, through the establishment and operation of a NPMU.

Part 3: Improved Floodplain and Aquatic Resources Management in Regionally Significant Areas

1. (a) Strengthen the MONRE in the management of river basins and floodplains in regionally significant tributaries of the LMB including, *inter alia*: (i) the establishment of river basin organizations in the key tributaries of the Xebangfai and Xebanghiang rivers; (ii) the preparation of a framework river basin plan; (iii) the preparation of an integrated floodplain management plan; and (iv) administration and management of this Part 3.1 (a), including the establishment of small management units in the MONRE’s provincial offices in the Khammouane and Savannakhet provinces.

(b) (i) Support the MAF in upgrading existing infrastructure including, *inter alia*: flood gates and village-based irrigation schemes and, thereafter, in transfer of related managerial responsibilities to villages; and

(ii) provide technical advisory services to said villages on, *inter alia*: (A) the operation and preventive maintenance of infrastructure; and (B) the promotion of the System of Rice Intensification and of the Pest Management Plan.

2. (a) Enhance the MAF’s capacity in management of critical habitats for aquatic resources in the mainstream Mekong in Champasak, Attapeu, and Xekong provinces through, *inter alia*: (i) the establishment of fishery management committees, including, *inter alia* in connection therewith, offices, equipment, training on fish conservation and management practices, and identification of livelihood activities; (ii) the preparation of Kum Banh Development Plans; and (iii) the building of local government capacity and the construction of rural infrastructure through the provision of Sub-grants to Beneficiaries, including, *inter alia*: implementation of the Kum Banh Development Plans, and financing of the priority rural infrastructure investments identified in said plans.
(b) Enhance the MAF’s capacity in fishery management through, *inter alia* the provision of support to: (i) provincial and district level fisheries authorities, covering *inter alia*: the development and implementation of baseline and monitoring procedures; the rehabilitation and renovation of existing hatcheries or the establishment of new hatcheries; carrying out pilot aquaculture activities and restocking of key indigenous species; and (ii) central level fisheries authorities on, *inter alia*: water quality monitoring, and the assessment of impacts from the water resource development infrastructure on potential fisheries.

(c) Support the MAF in the administration and management of this Part 3.2, including the establishment of a management unit in the Champasak province.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For the purpose of monitoring the overall progress of the Project, facilitate the resolution of regional technical matters, and ensure coherence and consistency in implementation of the Project, a Project Steering Committee shall be maintained, throughout the period of implementation of the Project, with a mandate, terms of reference and composition that is satisfactory to the Association, and whose membership includes representatives from, *inter alia*, the MRCS, the NMCs, and the National Executing Agency. The Committee will review progress reports prepared by the PCMU and the National Executing Agency, approve the annual plans prepared by the PCMU, the NPMU, and the FCMU—L, and give overall guidance to the PCMU and the National Executing Agency with respect to Project implementation.

2. For the purpose of overseeing the implementation of Parts 2 and 3 of the Project, the Recipient shall maintain a National Steering Committee—Lao PDR, throughout the period of implementation of Parts 2 and 3 of the Project, to be chaired by a senior official appointed by the head of the MONRE, with a mandate, terms of reference and composition that shall be satisfactory to the Association, and whose membership shall include representatives from, *inter alia*, the MAF, the MOF, the MPI, and representatives of Khammouane and Savannakhet Provinces. The Committee will *inter alia*: (a) review and approve semi-annual Progress Reports and Project plans prepared by the PCMU, the NPMU and the FCMU—L; (b) review and endorse the annual financial audit reports; and (c) review, advise on, approve solutions to major Project-related implementation issues, and liaise with other government institutions on implementation and policy matters.

3. For the purpose of implementation, coordination and monitoring of the activities under Part 2 of the Project and coordination and monitoring of the activities under Part 3.1(a) of the Project the MONRE shall maintain throughout the period of implementation of the Project, a NPMU, headed by a Project director acceptable to the Association, with sufficient resources, and appropriately qualified and competent staff in adequate numbers and having terms of reference satisfactory to the Association.

4. For the purpose of implementation of the activities under Part 3.1(a) of the Project, the MONRE shall maintain in its Khammouane and Savannakhet provincial offices, throughout the period of implementation of the Project, an
implementation team with sufficient resources, appropriately qualified and competent staff in adequate numbers with terms of reference satisfactory to the Association.

5. For the purpose of implementation, coordination and monitoring of the activities under Parts 3.1(b) and 3.2 of the Project, the MAF shall maintain throughout the period of implementation of the Project:

(a) a unit in the Khammouane province to implement Part 3.1(b) of the Project; and

(b) a FCMU-L at the PAFO in the Champasak province to implement Part 3.2 of the Project;

both headed respectively by a Project director with sufficient resources, appropriately qualified and competent staff in adequate numbers with terms of reference satisfactory to the Association.

6. The Recipient shall:

(a) carry out or cause to be carried out Parts 2 and 3 of the Project in accordance with the Project Implementation Plan, which shall include, *inter alia*: (i) implementation arrangements; (ii) procurement procedures in compliance with Section III of this Schedule and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures referred to in Section II.B of this Schedule; (iv) performance indicators for Parts 2 and 3 of the Project as set forth in Section II.A.(b) of this Schedule; (v) the Environmental and Social Management Framework, the Ethnic Groups Development Framework and the Compensation and Resettlement Policy Framework; and (vi) procedures and criteria for Sub-projects and the selection of the Beneficiaries of Sub-grants;

(b) undertake not to amend, suspend, abrogate, repeal or waive or permit to be amended, suspended, abrogated, repealed, or waived, any provisions of the Project Implementation Plan without the prior written agreement of the Association; and

(c) ensure that the Project Implementation Plan is made available at all times and applied in the carrying out of Sub-projects.

7. In the event of any conflict between the provisions of the Project Implementation Plan and those of this Agreement, the latter shall prevail.
8. The Recipient shall within one (1) month of the Effective Date, appoint a financial management specialist to the NPMU.

9. The MAF shall provide Sub-grants to selected villages for Sub-projects under Part 3.2(a)(iii) of the Project in accordance with the procedures and criteria set out in the Project Implementation Plan and Section 1.C of this Schedule 2.

10. The Recipient shall:

(a) carry out jointly with the Association, no later than June 30, 2015, or such later date as the Association may notify to the Recipient, a midterm review to assess the status of the Project, as measured against the performance indicators set forth in Section II.A.1(b) of this Schedule 2. Such review shall include an assessment of the following: (i) overall progress in implementation of the Project; (ii) results of monitoring and evaluation activities; (iii) progress on procurement, disbursement and financial management; (iv) progress on the implementation of the Environmental and Social Management Framework and other safeguards measures; (v) implementation arrangements; and (vi) the need to make any adjustments to the Project and any reallocation of funds to improve performance;

(b) cause the NPMU to prepare and furnish to the Association, at least three (3) months before such review, a report, in scope and detail satisfactory to the Association, needed to undertake the review, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section on the progress achieved in the carrying out the Project during the period preceding the date of the said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives of the Project during the period following such date; and

(c) review with the Association, the report referred to in subparagraph (b) of this Section and thereafter cause the NPMU to take all measures required to ensure the efficient completion of the Project and the achievement of its objectives, based on the conclusions and recommendations of said report and the Association’s views on the matter.

B. Anti-Corruption

The Recipient shall ensure that Parts 2 and 3 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. Sub-projects

1. No Sub-project shall be eligible for financing out of the proceeds of the Financing unless: (a) the corresponding proposals for the Sub-projects have been prepared and submitted, and the review of proposals and award of the Sub-grants have been undertaken by the FCMU-L, in accordance with the guidelines, procedures and selection criteria set forth in the Project Implementation Plan; and a Sub-grant Agreement for the carrying out of the relevant Sub-project in accordance with the procedures and the terms and conditions referred to in Sections 1.A.9 of Schedule 2 to this Agreement and this Section I.C. shall have been entered into between FCMU-L and the relevant Beneficiary.

2. No Sub-grant shall be made to finance expenditures pertaining to or involving: (a) a military or paramilitary purpose; (b) civil works for government administration or religious purposes; (c) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or drugs; (d) the manufacture or use of dynamite; (e) the salaries, bonuses, fees or honoraria of members of the Recipient's civil service; (f) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (g) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient's agency responsible for the management and/or protection of such area; (h) land reclamation covering an area in excess of fifty (50) hectares; (i) alterations to river courses; (j) new irrigation facilities covering an area in excess of fifty (50) hectares; (k) the construction of water retaining or storage structures of a capacity greater than ten thousand (10,000) cubic meters, or having a retaining wall of ten (10) meters or more; or any other purpose that would not be consistent with, or that would not facilitate the realization of the objective of the Project.

3. The amount of each Sub-grant shall be determined in accordance with the provisions of the Project Implementation Plan.

4. With respect to each eligible Sub-project for which the MAF has decided to make available a Sub-grant, the MAF shall enter into a Sub-grant Agreement with the proposed Beneficiary on terms and conditions approved by the Association, which shall include the following:

(a) the amount of the Sub-grant denominated in Dollar;
(b) details of agreed disbursement schedules;
(c) provisions to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the
amount of the Sub-grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Sub-grant Agreement; and

(d) requirements to: (i) carry out each Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant and Credit proceeds other than the Recipient and the following documents: the Environmental and Social Management Framework, the Ethnic Group Development Framework and the Compensation and Resettlement Policy Framework; (ii) provide, promptly as needed, the resources required for the purpose of the Sub-project; (iii) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of Section III of Schedule 2 of this Agreement; (iv) maintain adequate records to reflect, in accordance with sound accounting practices acceptable to the Association, the operations, resources and expenditures relating to the Sub-project; (v) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (vi) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

5. The MAF shall exercise its rights under each Sub-grant Agreement 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 in writing, the Beneficiary shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

D. Safeguards

1. The Recipient shall implement and cause to be implemented Parts 2 and 3 of the Project in accordance with the Environmental and Social Management Framework, the Ethnic Group Development Framework and the Compensation and Resettlement Policy Framework, any Environmental and Social Management Plan, any Ethnic Group Development Plan, and any Compensation and Resettlement Policy Plan.

2. Except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the Environmental and Social Management Framework, the Ethnic Group Development Framework and the Compensation and Resettlement Policy Framework, any Environmental and Social Management Plan, any Ethnic Group Development Plan, and any Compensation and Resettlement Policy Plan.
3. In the event of any inconsistency between the provisions of this Agreement and those of any of the Environmental and Social Management Framework, the Ethnic Group Development Framework and the Compensation and Resettlement Policy Framework, any Environmental and Social Management Plan, any Ethnic Group Development Plan, and any Compensation and Resettlement Policy Plan, the provisions of this Agreement shall prevail.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. (a) The Recipient shall monitor and evaluate the progress of Parts 2 and 3 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 the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

   
   (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

   (i) number of river basins of the LMB in the territory of the Recipient where the MONRE applies its new management instruments to promote its river basin planning approach;

   (ii) fifty percent (50%) of the command area covered by the existing water resources infrastructure in the Xebangfai River and the Xebanghiang River would benefit, such as receiving enhanced regional environmental benefits, from rehabilitation of infrastructure; and

   (iii) a fisheries management plan was developed and implemented in approximately forty percent (40%) of the fishing villages in the priority water bodies of regional importance identified under Part 3.2 of this Project.

2. For the purposes of Section 4.08(c) of the General Conditions, the report on the execution of Parts 2 and 3 of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than September 30, 2017.
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. The Recipient shall prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for Parts 2 and 3 of the Project covering the quarter, 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 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 Parts 2 and 3 of 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 Parts 2 and 3 of 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 table specifies the methods of procurement, other than
International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Community Participation in Procurement</td>
</tr>
<tr>
<td>(d) Direct Contracting subject to the Association’s prior approval</td>
</tr>
</tbody>
</table>

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-source Selection</td>
</tr>
<tr>
<td>(d) Sole-source Selection of Individual Consultants with the Association’s prior written approval</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services, Training and Workshops, and Incremental Operating Costs, under Part 2 of Project</td>
<td>3,760,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works consultants’ services, Training and Workshops, and Incremental Operating Costs, under Parts 3.1, 3.2(a)(i) and (ii), 3.2(b) and (c) of Project</td>
<td>7,896,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Sub-grants under Part 3.2 (a)(iii) of the Project</td>
<td>144,000</td>
<td>100% of the amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,800,000</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 for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed two hundred twenty-five thousand Dollars (US$225,000) equivalent may be made for payments made
prior to this date but on or after February 1, 2011, for Eligible Expenditures under Category (1) and Category (2).

2. The Closing Date is March 31, 2018.

Section V. Other Undertakings

1. The Recipient shall cooperate on a timely basis with the MRC in its role in coordinating and facilitating the implementation of Parts 2 and 3 of the Project to maintain the coherence and consistency of the activities under the Project.

2. For the avoidance of doubt and for greater certainty, it is agreed and acknowledged by the Recipient that Eligible Expenditures shall not, under any circumstances, include any expenditure related to the Processing of a Dam in the mainstream Mekong.
ANNEX
To
SCHEDULE 2

National Competitive Bidding Procedures

1. Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers contractors and their subcontractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

2. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be provided to all bidders who submitted bids.

3. The Recipient shall publish the following information on contract award on a free or open access website when it becomes operational or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bid were rejected and the reasons for rejection; (e) name of the winning bidder, contract price, explanation if it is different than the bid price as well as the duration and summary scope of the contract awarded; and (f) contract variation orders. This publication shall be updated quarterly.

4. The eligibility of bidders shall be as defined under Section 1 of the Procurement Guidelines, a firm or individual previously declared ineligible by the association based on determination by the Association that this firm or individual has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices shall be declared ineligible to be awarded a contract financed by Association.

5. The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Recipient, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, an Association-financed contract.
APPENDIX

Section I. Definitions


2. “Beneficiary” means a village selected to receive a Sub-grant for a Sub-project in accordance with the procedures and criteria set out in the Project Implementation Plan and Section 1.C of Schedule 2 to this Agreement and “Beneficiaries” means collectively, all such villages.

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

4. “Compensation and Resettlement Action Plan” means the Recipient’s plan, to be agreed with the Association and setting out the mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and other assets, compensation, resettlement, and rehabilitation of Displaced Persons under the Project, in accordance with the provisions of the Compensation and Resettlement Policy Framework, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Compensation and Resettlement Action Plans” means, collectively, all such plans.

5. “Compensation and Resettlement Policy Framework” means the Recipient’s framework, dated December 15, 2010, agreed with the Association and setting out the mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and other assets, compensation, resettlement, and rehabilitation of Displaced Persons, and guidelines and procedures for the preparation of Compensation and Resettlement Action Plans, under the Project, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.


7. “Displaced Person” means a person who, on account of the execution of Parts 2 and 3 of the Project, 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 to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, all such Displaced Persons.

8. “Environmental and Social Management Framework” means the framework satisfactory to the Association, duly approved by the Recipient on December 15, 2010 and referred to in Section I.D.1 of Schedule 2 to this Agreement, which sets forth the principles and procedures, governing, inter alia: (i) screening for eligible activities under Parts 2 and 3 of the Project using a negative list; (ii) screening for potential safeguard issues, including the required actions to prepare safeguard documents, including, inter alia: Environmental Management Plans, and Compensation and Resettlement Action Plans, when required, and to secure required; and (iii) the environmental protection measures, if any, required to be undertaken in order to avoid or mitigate potential adverse environmental impacts; as said framework and any annexes or schedules to such framework, may be revised from time to time with the prior written approval of the Association.

9. “Environmental Management Plan” means the Recipient’s plan, to be agreed with the Association and setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Environmental Management Plans” means, collectively, all such plans.

10. “Ethnic Group” means, for purposes of Parts 2 and 3 of the Project, the social groups residing or engaged in livelihood activities under Parts 2 and 3 of the Project from time to time; each of which possesses a distinct social and cultural identity that makes it vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) a language, often different from the Lao language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production; and “Ethnic Groups” means, collectively, all such Ethnic Groups.

11. “Ethnic Group Development Framework” means the Recipient’s framework, dated December 15, 2010, agreed with the Association and setting out the mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to
ensure meaningful consultation with, and the informed participation of, Ethnic Groups within the Project area who are affected by the Project, and guidelines and procedures for the preparation of Ethnic Group Development Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.

12. "Ethnic Group Development Plan" means the Recipient’s plan, to be agreed with the Association and setting out the mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, that have been identified by the Recipient to address any adverse effects on Ethnic Groups associated with, and ensure culturally appropriate social and economic benefits for Ethnic Groups under the Project in accordance with the provisions of the Ethnic Group Development Framework, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Ethnic Group Development Plans” means, collectively, all such plans.

13. “FCMU—L” means the Fisheries Component Management Unit—Lao PDR referred to in Section I.A.1 and I.A.2 of Schedule 2 to this Agreement.


15. “Incremental Operating Costs” means reasonable expenditures directly related to Parts 2 and 3 of the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), based on an annual budget for such costs approved ex-ante in writing by the Association, including expenditures for Project staff travel, lodging and per diem, salaries of management units’ staff, consumable materials, office supplies, communications services (including postage handling, telephone and internet costs), bank charges, publication services, translation and interpretation services, office space rental and utilities, maintenance of office equipment and operation, and operation and maintenance of vehicles, but excluding salaries, bonuses, fees and honoraria of members of the Recipient’s civil service.


17. “Kum Banh” means a group of villages in Lao PDR which acts as a coordinating level to facilitate interaction between the District and local communities; and “Kum Banhs” means, collectively, all such Kum Banhs.

18. “Kum Banh Development Plans” means plans to promote mainstreaming of fisheries management in the local development processes including, inter alia: development of fishery management plans; identification of livelihood activities;
and identification of priority rural infrastructure needed for supporting livelihoods, and “Kum Banh Development Plan” means any of the said plans.


20. “LMB” means the Lower Mekong Basin, a catchment area of the Mekong River within the respective territory of the Kingdom of Cambodia, the Recipient, the Kingdom of Thailand, and the Socialist Republic of Vietnam.

21. “MAF” means the Recipient’s Ministry of Agriculture and Forestry, or any successor thereto.

22. “MOF” means the Recipient’s Ministry of Finance, or any successor thereto.

23. “MONRE” means the Recipient’s Ministry of Natural Resources and Environment or any successor thereto.

24. “MPI” means the Recipient’s Ministry of Planning and Investment, or any successor thereto.

25. “MRC” means the Mekong River Commission created under the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin dated April 5, 1995, as amended to the date hereof, or any successor thereto.

26. “MRCS” means the MRC Secretariat created under the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin dated April 5, 1995, as amended to the date hereof, or any successor thereto.

27. “National Executing Agency” means, the MONRE.

28. “National Steering Committee-Lao PDR” means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement, or any successor thereto.

29. “NMCs” means, collectively, the National Mekong Committees established in the Kingdom of Cambodia, the Lao PDR, the Kingdom of Thailand, and the Socialist Republic of Vietnam, or any successor to any one thereof, and “NMC” means any National Mekong Committee individually.

30. “NPMU” means the National Project Management Unit referred to in Section I.A.3 of Schedule 2 to this Agreement.

31. “NREI” means the MONRE’s Natural Resources and Environment Institute which is responsible for hydrological modeling in the Lao PDR, or any successor thereto.
32. "PAFO" means the Recipient’s Provincial Agriculture and Forestry Office established and operating in Champasak province or any successor thereto.

33. "PCMU" means the MRC’s Project Coordination and Monitoring Unit.

34. "Pest Management Plan" means the Recipient’s plan on integrated pest management satisfactory to the Association, dated December 11, 2010, adopted by the Recipient and included in the Project Implementation Plan which, *inter alia*: (a) prohibits procurement of large amount of chemicals and non-Food and Agricultural Organization pesticides; and (b) promotes a new rice cultivation technique and organic-based rice cultivation.

35. “Procedures for Notification, Prior Consultation, and Agreement” means the procedures agreed by the Kingdom of Thailand, the Recipient, the Kingdom of Cambodia, and the Socialist Republic of Vietnam in 2003.

36. “Processing of a Dam” means the process encompassing studies and reviews which may lead to the realization or construction of a dam in the mainstream of the Mekong.


38. “Procurement Plan” means the Recipient’s procurement plan for Parts 2 and 3 of the Project, dated January 31, 2012 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

39. “Program” means the program designed to support the MRC’s member countries in maintaining the momentum on the implementation of the 1995 Mekong Agreement which supports a three-tier approach to IWRM involving regional, national and trans-boundary level actions allowing a better integration of MRC activities and tools within national initiatives, and which has been approved by the Recipient, the Kingdom of Cambodia, the Kingdom of Thailand, the Socialist Republic of Vietnam and the MRC in the Sixteenth Meeting of the MRC Council on November 26, 2009.

40. “Project Implementation Plan” means collectively Volumes 2, 3, 4(a) and 5 of the Project Implementation Plan adopted by the Recipient in March 2011, and referred to in Section I.A.6 to Schedule 2 to this Agreement and such term includes any annexes or schedules, and amendments, as the case may be to such plan.
41. "Project Steering Committee" means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.

42. "Sub-grant" means a grant made available to a Beneficiary by the MAF for a Sub-project in accordance with the provisions of a Sub-grant Agreement, and the term "Sub-grants" means, collectively, more than one Sub-grant.

43. "Sub-grant Agreement" means a grant agreement to be entered into between the MAF and a Beneficiary for the purposes of implementing and financing a Sub-project, and the term "Sub-grant Agreements" means, collectively, more than one Sub-grant Agreement.

44. "Sub-project" means a livelihood demonstration activity under Part 3.2(a)(iii) of the Project to be financed pursuant to the provisions of Sections I.A.9 and I.C of Schedule 2 to this Agreement, and the term "Sub-projects" means, collectively, more than one Sub-project.

45. "System of Rice Intensification" means a new cultivation technique based on organic agriculture and reduced water use.

46. "Training and Workshops" means the costs of training in the territory of the Recipient and abroad under the Project, based on annual work plans and budgets as approved by the Association, and attributable to seminars, workshops, and study tours, along with domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.