Financing Agreement

for
Mekong Integrated Water Resources Management Project Phase I
(Providing Additional Financing and Amending and Restating the Original Financing Agreement)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 2017
FINANCING AGREEMENT

AGREEMENT dated July 26, 2017, entered into between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Association agreed to extend to the Recipient the Original Grant to assist in financing Parts 2 and 3 of the project described in Schedule 1 to this Agreement ("Project") in accordance with the terms and conditions of the Original Financing Agreement;

(B) the Recipient has requested the Association to provide additional financial assistance in support of Parts 2 and 3 of the Original Project, and additional activities thereunder, as described in the amended and restated description of the Project in Schedule 1 to this Agreement, by extending to the Recipient the Additional Credit; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree to amend and restate the Original Financing Agreement, with effect from the Effective Date of this Agreement, to read 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 and a credit (collectively, "Financing") in the following amounts to assist in financing Parts 2 and 3 of the Project:

(a) the Original Grant in an amount equivalent to eleven million eight hundred thousand Special Drawing Rights (SDR 11,800,000); and
the Additional Credit in an amount equivalent to eighteen million three hundred thousand Special Drawing Rights (SDR 18,300,000).

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance in respect of the Additional Credit 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 in respect of the Additional Credit shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are: (a) May 15 and November 15 in each year in respect of the Original Grant; and (b) February 15 and August 15 in respect of the Additional Credit.

2.07. The principal amount of the Additional 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 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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. 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. The Recipient’s Representative is its Minister at the time responsible for finance.

6.02. The Recipient’s Address is:

Ministry of Finance
23rd Singha Road
Saysetha 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

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: Ellen Goldstein
Title: Country Director
SCHEDULE I

Project Description

The objective of the Project is to improve water resource and fisheries management in selected areas of the LMB.

The Project constitutes the first phase of the Program. The Project consists of the following parts:

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. Improving the legal and regulatory regime for water resource management, through, inter alia, revisions of existing legislation on water resources and development of priority implementing regulations for water resources management.

2. Improving water quality management through, inter alia, the establishment of a national water quality laboratory, undertaking water quality and eco-system health monitoring, and the dissemination of water quality information to improve water resources management.
3. Improving analytical capacity for water resources management, through, *inter alia*: (a) developing computer modelling systems and undertaking water resources assessment studies in priority river basins; (b) developing GIS-based computer decision support systems in priority river basins to support water resources planning and management activities; (c) establishing a national water resources information system; and (d) the construction of a national water resources information center.

4. Improving the collection, analysis, and dissemination of hydrological and meteorological information, through, *inter alia*: (a) the construction of hydro-met observation stations; (b) the construction of an early warning center and provincial office buildings; and (c) facilitating information dissemination for improved water resources management.

5. Support MONRE in the monitoring, administration, and oversight of Parts 2 and 3 of the Project.

**Part 3: River Basin and Aquatic Resources Management**

1. (a) Supporting river basin management, through, *inter alia*: (i) preparing river basin management plans, including integrated flood plain plans in priority river basins; (ii) implementing priority management actions and undertaking pilot projects under the river basin management plans; and (iii) improving the capacity of MONRE water resources management agencies.

(b) Supporting sustainable irrigation and flood management, through, *inter alia*: (i) upgrading existing irrigation schemes and flood gates in the Recipient's Xebangfai and Xebanghiang river basins; (ii) providing technical assistance to water user associations; supporting the adoption of system of rice intensification practices; and (iii) improving the capacity of MAF's irrigation agencies.

2. Improving the management of critical habitats for aquatic resources in the Recipient's provinces of Champasak, Sekong and Attapeu through, *inter alia*: (a) establishing community-based fisheries management organizations; (b) developing and implementing local fishery management plans; (c) supporting alternative livelihood activities for reduced reliance on capture fisheries; (d) constructing small-scale village level infrastructure; and (e) improving the capacity of MAF's fishery agencies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

For the purposes of ensuring the efficient and effective carrying out of Parts 2 and 3 of the Project, the Recipient shall maintain, at all times during the implementation of Parts 2 and 3 of the Project, Project implementation structures within MONRE and MAF with functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.

B. Project Operational Manual

The Recipient shall ensure that Parts 2 and 3 of the Project are carried out in accordance with the arrangements and procedures set out in the Project Operational Manual ("POM") (provided, however, that in the event of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the POM unless the Association has provided its prior no-objection thereof in writing.

C. 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 Parts 2 and 3 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 Parts 2 and 3 of the Project in the Recipient’s following fiscal year, including the Association’s and the Recipient’s respective shares in the cost of the AWPB.

2. The Recipient shall ensure that Parts 2 and 3 of the Project are 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 Parts 2 and 3 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.
D. 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.

E. Safeguards

1. The Recipient shall ensure that Parts 2 and 3 of the Project are carried out in accordance with the Environmental and Social Management Framework, the Ethnic Group Planning Framework and the Compensation and Resettlement Policy 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 Compensation and 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 EGPF and the CRPF, 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 EGPF and the CRPF, 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 EGPF, the CRPF 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 EGPF, the CRPF 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 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 EGPF, the CRPF, and the Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 acceptable to the Association and set forth in the POM. 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 December 31, 2019, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring
and evaluation activities performed pursuant to paragraph 1 of this Part A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association such mid-term report, on or about the one (1) month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation upon the provisions of this Section II.A, the Recipient shall ensure that the Association is furnished, not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for Parts 2 and 3 of 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 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
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in paragraph 3 of this Section III.B; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been found acceptable to the Association and set out in the Project Operations Manual.

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.

(f) **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.

(g) **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.

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

(i) **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.

(j) **Inspection and Audit Rights:** In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Association to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights provided for in the Procurement
Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) 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.

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 "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 Financing ("Category"), the allocations of the amounts of the Original Grant and the Additional Credit to each such 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 Original Grant Allocated (expressed in SDR)</th>
<th>Amount of the Additional 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, consultants' services, Training and Workshops, and Incremental Operating Costs, under Part 2 of Project</td>
<td>3,760,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works consultants' services, Training and Workshops, and Incremental Operating Costs, under Part 3 of Project</td>
<td>8,040,000</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(3) Sub-grants under Part 3.2 (a)(iii) of the Project (protector)</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(4) Goods, works, consultants' services, Training and Workshops, and Incremental Operating Costs, under Parts 2 and 3 of the Project</td>
<td></td>
<td>18,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,800,000</td>
<td>18,300,000</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: (a) the date of the Original Financing Agreement, with respect to amounts of the Original Grant, except that withdrawals of amounts of the Original Grant 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); and (b) the date of this Agreement, with respect to amounts of the Additional Credit, except that withdrawals of amounts of the Additional Credit up to an aggregate amount not to
exceed SDR 3,660,000 may be made for payments made prior to this date but on or after March 1, 2017, for Eligible Expenditures under Category (4).

2. The Closing Date is March 31, 2021.

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.
SCHEDULE 3
Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Additional Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td>1.65%</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. “Additional Credit” means the credit extended to the Recipient pursuant to Section 2.01 (b) of this Agreement.

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


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

5. “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, and grievance redress arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, 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.

6. “Compensation and Resettlement Policy Framework” and the acronym “CRPF” each means the Recipient’s framework, dated March 2017 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, reporting and grievance redress procedures, 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.

8. "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.

9. "Environmental and Social Assessment" means any assessment to be prepared in accordance with the ESMF pursuant to Section 1.E 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.

10. "Environmental and Social Management Framework" and the acronym "ESMF" each means the Recipient's dated March 2017 agreed with the Association, and setting out 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 and Social Management Plans, and Compensation and Resettlement Action Plans, when required, and to secure required; (iii) reporting and grievance redress procedures; and (iv) 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.

11. "Environmental and Social 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, and grievance redress arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, 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 and Social Management Plans" means, collectively, all such plans.
12. "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.

13. “Ethnic Group Planning Framework” and the acronym “EGPF” each means the Recipient’s framework, dated March 2017 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, reporting and grievance redress procedures, 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.

14. “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 and grievance redress arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, 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.

15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modification set forth in Section II of this Appendix.

16. “GIS” means geographic information system.

17. “Incremental Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of activities under Part 2 and Part 3 of the Project, 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 Part 2 and Part 3 of the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.


19. “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.

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

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

22. “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.

23. “Original Financing Agreement” means the agreement, dated April 19, 2012, between the Recipient and the Association pursuant to which the Association agreed to provide the Recipient with the Original Grant to assist in financing Parts 2 and 3 of the Original Project.

24. “Original Grant” means the grant in an amount equivalent to eleven million eight hundred thousand Special Drawing Rights (SDR 11,800,000) provided under the Original Financing Agreement to assist in financing the Original Project.

25. “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 Operations Manual 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.

26. “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.
27. "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.


29. "Procurement Plan" means the Recipient's procurement plan for Parts 2 and 3 of the Project, dated May 25, 2017 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.

30. "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.

31. "Project Operations Manual" and the acronym "POM" each means the manual adopted by the Recipient for the implementation of Parts 2 and 3 of the Project referred to in Section L.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, including the Pest Management Plan; (e) monitoring and evaluation, reporting and communication; (f) performance indicators; 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.

32. "Safeguard Assessment and Plan" means any Environmental and Social Assessment, Environmental and Social Management Plan, Ethnic Group Development Plan, and Compensation and Resettlement Action Plan to be prepared in accordance with the ESMF, the EGPF or the CRPF, as the case may be, and the provisions of Section I.E 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.
33. "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 3.01 (b) of the General Conditions is modified to read as follows:

   "(b) The Commitment Charge shall accrue from a date sixty days after: (i) the date of the Original Financing Agreement with respect to the unwithdrawn balance of the Original Grant; and (ii) the date of the Financing Agreement (Amending and Restating Original Financing Agreement) with respect to the un withdrawn balance of the Additional Credit, to the respective dates on which amounts are withdrawn by the Recipient from the Financing Account or cancelled. The Commitment Charge shall accrue at the rate set as of the June 30 immediately preceding the accrual date and at such other rate as may be set from time to time thereafter pursuant to this Section. The rate set as of June 30 in each year shall be applied from the next Payment Date in that year. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date. The Commitment Charge shall be computed on the basis of a 360-day year of twelve 30-day months."

2. 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."

3. 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".

4. 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)."

5. 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".

6. 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).