Grant Agreement

(Trust Fund for the Rural Electrification Phase I Project)

between

LAO PEOPLE’S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the Australian Trust Fund for the AusAID Mekong Energy Fund

Dated October 1, 2010

WHEREAS:

(A) under an agreement dated June 2, 2006 (as the same may be amended from time to time, the “Development Grant Agreement”), the International Development Association agreed to provide the Recipient with a Grant in an amount equivalent to seven million Special Drawing Rights (SDR 7,000,000) to assist in financing the Rural Electrification Phase I Project described in Schedule 2 to the Development Grant Agreement;

(B) the Recipient has requested the World Bank to provide additional financial assistance in support of the Rural Electrification Phase I Project to fill up financing gaps and scale up activities under Parts A.1, A.6, B.1, B.3 and B.6 of the said Project;

(C) AusAID has agreed to provide co-financing for the additional assistance for Parts A.1, A.6, B.1, B.3 and B.6 of the Project through the Australian Trust Fund for the AusAID Mekong Energy Fund administered by the International Development Association;

WHEREAS AusAID and the World Bank, acting as administrator of the Australian Trust Fund for the AusAID Mekong Energy Fund dated May 14, 2009, have agreed on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and subject to the conditions set forth in this Grant Agreement;

NOW THEREFORE the Recipient and the World Bank hereby agree as follows:
Article I

Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), 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 Standard Conditions or in the preamble to the Appendix to this Agreement.

Article II

The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out Parts B.1, B.3 and B.6 of the Project through MEM and cause Parts A.1 and A.6 of the Project to be carried out by EdL in accordance with the provisions of Article II of the Standard Conditions and the Project Agreement.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III

The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to nine million four hundred twenty thousand United States Dollars (US$9,420,000) (“Grant”) to assist in the financing of Parts A.1, A.6, B.1, B.3 and B.6 of the Project.

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

3.03. The Grant is funded out of the above-mentioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.
Article IV
Additional Remedies

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

(a) The right of the Recipient to withdraw the proceeds under the Development Grant Agreement shall have been suspended, cancelled or terminated, in whole or in part, pursuant to the terms of the said Agreement;

(b) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement;

(c) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement;

(d) The Project Implementing Entity has failed to perform any of its obligations under the Project Agreement;

(e) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier; and

(f) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which shall make it
improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.

**Article V**

**Effectiveness**

5.01. The Additional Condition of Effectiveness consists of the following, namely the Subsidiary Financing Agreement has been amended in form and substance acceptable to the World Bank to include a portion of the Grant to be provided to the Project Implementing Entity under this Agreement.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**

**Recipient’s Representative; Addresses**

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

6.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:
6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433

Cable: INDEVAS  
Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391

AGREED at Vientiane, Lao People’s Democratic Republic, , as of the day and year first above written.

LAO PEOPLE’S DEMOCRATIC REPUBLIC

By /s/ Viengthong Siphandone

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator of the Australian Trust Fund for the AusAID Mekong Energy Fund

By /s/ Keiko Miwa  
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to implement, in the Project Provinces, Phase I of the Rural Electrification APL Program which is designed to improve the living standards and increase the income of rural households by providing access to electricity.

The Project consists of the following parts:

Part A: Electricité du Laos

Carry out a program of grid extension in the Project Provinces and of institutional development of EdL, said program consisting of:

1. Grid Extension

   Install and commission medium voltage (MV) and low voltage (LV) transmission lines, transformers and house wiring in the Project Provinces to cover about 42,000 households in about 545 villages in the Project Provinces; and initiation of selection of villages to participate in a succeeding phase of the Program and of design of said phase.

2. Loss Reduction

   Carry out a program of activities and investments to reduce technical and commercial losses incurred by EdL including installation of equipment, enhancement of management and staff skill development, and development of a long term loss reduction program to be implemented in a succeeding phase of the Program.

3. Information Technology System

   Integrate the headquarters and the branch offices of EdL through the rolling out of the billing and accounting system; strengthen EdL’s financial management capacity, including its capacity to carry out internal audit and financial control functions, and corporate planning; and develop its material management procurement system.

4. Tariff Reform

   Implement the tariff reform component of the Action Plan for Financial Sustainability of the Power Sector.
5. **Safeguards Capacity**

Enhance the capacity of EdL branch offices and provincial counterparts to carry out environmental and social assessments.

6. **Demand-side Management**

Develop demand-side management (DSM) and energy efficiency planning through the establishment of a DSM unit within EdL, development of an energy end-use database for DSM planning, screening and design of DSM programs and carrying out of DSM pilot projects.

**Part B: Off-Grid Rural Electrification**

Carry out a program to extend off-grid rural electrification in the Project Provinces and to develop an enabling environment for further rural electrification expansion, said program consisting of:

1. **Off-grid Investment Program**

Apply off-grid technologies, including solar home systems, village hydropower and diesel generating sets, to provide electricity to about 10,000 households in about 200 villages in the Project Provinces.

2. **Off-grid Institutional Strengthening**

Improve the institutional framework, organization and management capacity to support expansion of off-grid electrification offering a wide range of off-grid technologies, including developing a comprehensive program of management outsourcing, and quality assurance system.

3. **Alternative Rural Electrification Technologies and Delivery Models**

Develop alternative technologies, financing mechanisms and delivery models for off-grid rural electrification through:

   (a) the development of the regulatory and institutional arrangements for the Rural Electrification Fund;

   (b) the carrying out of a technical assessment of biomass resources and pilot biomass generations; and

   (c) the carrying out of a study on income generation linkages with rural electrification.
4. **Rural Electrification Master Plan and Database**
   
   (a) Develop a Rural Electrification master plan, including developing institutional arrangements and planning approaches, improving the rural electrification database, and developing a rural electrification planning manual.

   (b) Prepare a renewable resource inventory.

5. **Sector Financing Strategy**

   Develop an electricity sector financing strategy, including preparing pilot projects to be concessioned to independent power producers.

6. **Organizational Strengthening of MEM’s Department of Electricity**

   (a) Strengthen the institutional capabilities of MEM’s Department of Electricity, to meet its expanded functions and responsibilities in sector regulation and oversight, planning, coordination and reform.

   (b) Support the PMU in the implementation of Part B of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. For the purpose of MEM’s Respective Parts of the Project, the Recipient shall maintain, until completion of the Project, the Project Management Unit under the Department of Electricity within MEM; said Project Management Unit to (a) be responsible for managing the implementation of MEM’s Respective Parts of the Project, including financial management, disbursement and procurement; and (b) be under the direction of qualified managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a Project manager, an accounting officer and a procurement officer, all with qualifications and experience and under terms of reference acceptable to the World Bank.

2. (a) The Recipient shall, through MEM, maintain and implement, until completion of the Project the financial management manual developed under the DGA, acceptable to the World Bank, setting forth guidelines and procedures for financial management and control, record keeping, reporting and auditing, and programs of training therefor. The Recipient shall not amend or supplement said financial management manual without the prior written agreement of the World Bank.

(b) The Recipient shall maintain within MEM, a computerized accounting system to support Project accounting activities.

B. Subsidiary Financing Agreement

1. To facilitate the carrying out of the EDL’s Respective Parts of the Project, the Recipient shall make part of the proceeds of the Grant equal to the amount allocated from time to time to Category (1) in the table included in Section IV. A.2 available to the Project Implementing Entity through a grant and a loan, which consists of the amounts of the financing drawn down for the purpose of Parts A.1 and A.6 of the Project; for each withdrawal, an amount up to eighty percent (80%) will be provided as a grant and an amount up to twenty percent (20%) will be provided as a loan pursuant to Section 5.01 of this Agreement.

2. The grant and the loan will be made available through the Subsidiary Financing Agreement, as amended.
3. The Subsidiary Financing Agreement shall provide, *inter alia*, that:

(a) the Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to the use of the Grant made available under the Subsidiary Agreement upon failure by the Project Implementing Entity to perform its obligations under such agreement; and

(b) in the event that any portion of the proceeds of the Grant provided to the project Implementing Entity is not used for Eligible Expenditures or is otherwise used in breach of this Agreement, the Project Agreement, or the Subsidiary Financing Agreement, the Project Implementing Entity shall, upon notice from the Recipient or from the World Bank, refund the notified amount to the account provided in such notice.

4. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Financing. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall:

(a) carry out, in a manner satisfactory to the World Bank, the MEM’s Environmental and Social Safeguard Framework (ESSF) in the implementation of MEM’s Respective Parts of the Project, which includes a Resettlement Policy Framework and an Ethnic Groups Development Framework, designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

(b) cause the Project Implementing Entity to carry out in a manner satisfactory to the World Bank, the EdL’s Environmental and Social Safeguard Framework (EESSF) in the implementation of EdL’s Respective Parts of the Project, which includes a Resettlement Policy
Framework and an Ethnic Groups Development Framework, designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

(c) prepare, and cause to be prepared, environmental management plans, acceptable to the World Bank, as may be necessary in accordance with the requirements set forth in MEM’s Environmental and Social Safeguard Framework (ESSF) and EdL’s Environmental and Social Safeguard Framework (EESSF) respectively, and implement such plans in a manner satisfactory to the World Bank; and

(d) maintain, and cause to be maintained, policies and procedures adequate to enable it and the Project Implementing Entity to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of MEM’s Environmental and Social Safeguard Framework (ESSF) and EdL’s Environmental and Social Safeguard Framework (EESSF) respectively, or the environmental management plans referred to in sub-paragraph (c) of this paragraph, and the achievement of their respective objectives.

2. The Recipient shall:

(a) prepare, and cause to be prepared, safeguard requirements satisfactory to the World Bank which take into account the requirements of this Section I. D. to be included in bidding documents and contracts under the Project;

(b) monitor and cause to be monitored, contractor’s performance of said safeguard requirements and report to the World Bank the results of such monitoring; and

(c) keep and cause to keep, records on the contractor’s performance of said safeguard requirements.

3. The Recipient shall:

(a) take and cause to be taken all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently;
(b) to this end, implement and cause to be implemented the Resettlement Policy Framework included in MEM’s Environmental and Social Safeguard Framework (ESSF) and EdL’s Environmental and Social Safeguard Framework (EESSF) respectively, in a manner satisfactory to the World Bank;

(c) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, provide and cause to provide, to the World Bank for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in said Resettlement Policy Framework and, thereafter, implement in a manner satisfactory to the World Bank, such resettlement action plans as shall have been approved by the World Bank; and

(d) maintain and cause to maintain, policies and procedures adequate to enable it and the Project Implementing Entity to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of said Resettlement Policy Framework and the resettlement action plans prepared pursuant thereto, and the achievement of their respective objectives.

4. The Recipient shall implement and/or cause to be implemented the Ethnic Groups Policy Framework included in MEM’s Environmental and Social Safeguard Framework (including the related Resettlement Policy Framework and Ethnic Groups Development Framework) and EdL’s Environmental and Social Safeguard Framework (including the related Resettlement Policy Framework and Ethnic Groups Development Framework) respectively, in a manner satisfactory to the World Bank, designed to provide meaningful consultation with, and the informed participation of, Ethnic Groups living within the Project Provinces, to ensure that benefits under the Project are socially and culturally acceptable to such groups, and to ensure and cause to be ensured that Project activities adequately address the needs, cultural practices and preferences of such community.

5. In the event of any inconsistency between the provisions of the MEM’s Environmental and Social Safeguard Framework (including the related Resettlement Policy Framework and Ethnic Groups Development Framework) and the EdL’s Environmental and Social Safeguard Framework (including the related Resettlement Policy Framework and Ethnic Groups Development Framework), as well as any document prepared pursuant to either one thereof, and the provisions of this Agreement, the provisions of this Agreement shall prevail.
E. Visits

1. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable and take all measures required on its part to enable the representatives of AusAid and the World Bank to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.
Section III. Procurement

A. General

1. Goods. All goods required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Grant 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 World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

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

2. Other Methods of Procurement of Goods. The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, in accordance with the Recipient’s Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, 03/PM dated January 9, 2004, and in the Implementing Rules and Regulations on Government Procurement of Goods, Works, Maintenance and Services dated March 12, 2004, subject to the procedures listed in the Annex to this Schedule 2; (b) Shopping; and (c) Direct Contracting.
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 assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection based on Consultants’ Qualifications; (c) Single-source Selection; (d) Selection of Individual Consultants; and (e) Sole Source Procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank 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 Grant (“Category”), the allocations of the amounts of the Grant 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods and consultants’ services under Parts A.1 and A.6 of the Project</td>
<td>6,940,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods and consultants’ services under Parts B.1, B.3, and B.6 of the Project</td>
<td>2,480,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>9,420,000</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 six hundred thousand Dollars equivalent may be made for payments made prior to this date but on or after January 1, 2010, for Eligible Expenditures under Category (1).

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is March 31, 2012.
ANNEX 1

to

SCHEDULE 2

National Competitive Bidding Procedures

1. Bidding documents and contracts under national competitive bidding procedures financed by the World Bank shall include a provision requiring suppliers contractors and their subcontractors to permit the World Bank 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 World Bank, if so required by the World Bank. 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 World Bank: (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 that 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 I of the Procurement Guidelines; accordingly, a firm or individual previously declared ineligible by the World Bank based on determination by the World Bank 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 the World Bank.

5. The World Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank 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, a World Bank-financed contract.
ANNEX 2
to
SCHEDULE 2

Project Provinces

Part A.1 of the Project
1. Bolikhamxay
2. Khammouane
3. Savannakhet
4. Salavan
5. Xekong
6. Champasak
7. Attapeu

Parts A.2 through A.6, and B of the Project
1. Vientiane Capital
2. Oudomxai
3. Luangnamtha
4. Champasak
5. Luangphabang
6. Xaignabouly
7. Xiengkhoang
8. Houaphan
9. Bolikhamxay
10. Khammouane
11. Savannakhet
12. Salavan
13. Xekong
14. Attapeu
15. Phongsaly
16. Bokeo
17. Vientiane
APPENDIX

Section I. Definitions


2. “Anti-Corruption Guidelines” means the Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”) with the modifications set forth in Section II of the Appendix to this Agreement.

3. “AusAID” means the Australian Agency for International Development.

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


6. “Displaced Persons” means persons who, on account of the execution of the Project, have 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 persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.

7. “EdL” means Electricité du Laos a state-owned enterprise, established and operating pursuant to the Charter of Electricité du Laos, as such Charter was approved by the Ministry of Industry and Handicrafts and the Board of Directors of Electricité du Laos on December 29, 1997.

8. “EDL’s Respective Parts of the Project” means Parts A.1 and A.6 of the Project.

9. “EdL’s Environmental and Social Safeguard Framework (EESSF)” means the Environmental and Social Safeguard Framework, dated March 2009, adopted by EdL, giving details of a program of actions, measures and policies designed to maximize the benefits of EDL’s Respective Parts of the Project, eliminate, offset
or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, and includes the Resettlement Policy Framework, and the Ethnic Groups Development Framework as such Environmental and Social Safeguard Framework may be amended from time to time with the prior agreement of the World Bank.

10. “Ethnic Groups” means, for purposes of the Project, the social groups residing or engaged in livelihood activities under 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.

11. “Ethnic Groups Development Framework” means the Ethnic Groups Development Framework included in the EdL’s Environmental and Social Safeguard Framework (EESSF) and in the MEM’s Environmental and Social Safeguard Framework (ESSF) giving details of the strategy to be implemented or cause to be implemented by the Recipient and EdL in the carrying out of EDL’s Respective Parts of the Project and MEM’s Respective Parts of the Project in areas where Ethnic Groups are residing, cultivating, hunting and carrying out other similar social activities which strategy includes special planning measures or actions to be undertaken aimed at ensuring that through informed consultation the Ethnic Groups receive the benefits from the Project in a culturally compatible manner acceptable to them, and do not suffer adverse effects as a result of the implementation of the Project; as said Framework may be revised from time to time with the prior approval of the World Bank.

12. “MEM” means the Recipient’s Ministry of Energy and Mines, which is the successor of MIH, or any successor thereto.

13. “MEM’s Respective Parts of the Project” means Parts B.1, B.3 and B.6 of the Project.

14. “MEM’s Environmental and Social Safeguard Framework (ESSF)” means the Environmental and Social Safeguard Framework, dated June 2009, adopted by the Recipient, giving details of a program of actions, measures and policies designed to maximize the benefits of MEM’s Respective Parts of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, and includes the Resettlement Policy Framework and the Ethnic Groups Policy Framework; as said Environmental Management
Framework may be amended from time to time with the prior agreement of the World Bank.

15. “MIH” means the Recipient’s former the Ministry of Industry and Handicrafts.


17. “Procurement Plan” means the Recipient’s procurement plan for MEM’s Respective Parts of the Project and EDL’s Respective Parts of the Project, dated November 25, 2009 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.

18. “Project Agreement” means the agreement between the International Development Association, acting as administrator of the Australian Trust Fund for the AusAID Mekong Energy Fund, and Electricité du Laos, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.


21. “Project Management Unit” or “PMU” means the unit within the Department of Electricity of MEM, established under paragraph 1 of Schedule 4 to the Development Grant Agreement.

22. “Project Provinces” means those provinces of the Recipient listed in the Annex 2 to Schedule 2 to this Agreement, and any successor thereto, as said Annex may be amended from time to time with the prior concurrence of the World Bank, and a “Project Province” means any of said Project Provinces.

23. “Resettlement Policy Framework” means a framework giving details of land or other asset acquisition from, resettlement and rehabilitation of and compensation to, Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said principles, and for the preparation of compensation and resettlement action plans whenever required in the carrying out of EDL’s
Respective Parts of the Project and MEM’s Respective Parts of the Project implementation activities; as said framework may be amended from time to time with the prior agreement of the World Bank.

24. “Rural Electrification Fund” or “REF” means the facility established under Part B.2 of the Project, funded initially with purchaser resources for rural electrification.

25. “Rural Electrification APL Program” means the program described in the Recipient’s Letter of Program Development dated June 10, 2005, describing a program designed to improve the living standards and increase the income of rural households by providing them access to electricity and declaring the Recipient’s commitment to the execution of the Program.


Section II. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the
Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”