Financing Agreement

Poverty Reduction Fund Project III

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 13, 2016
FINANCING AGREEMENT

AGREEMENT dated July 13, 2016, entered into between the LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and the 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 this Agreement (including the Appendix thereto).

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to twenty one million three hundred thousand Special Drawing Rights (SDR 21,300,000) (variously, "Credit" and "Financing"), to assist in financing 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are April 1 and October 1 in each year.
2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

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

(a) 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.

(b) the Project Implementing Entity has failed to perform any of its obligations under the Subsidiary Grant Agreement.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in Section 4.01 (a) of this Agreement occurs.

(b) The event specified in Section 4.01(b) occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness is that the Subsidiary Grant Agreement 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 Additional Legal Matter is that the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

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

5.04. 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
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
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: Ulrich Zachau
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve access to basic services for the Project’s targeted poor communities.

The Project consists of the following parts:

**Part 1: Community Development Sub-grants**

1.1 Carrying out of participatory community and local development planning processes at the village and Kum Ban levels.

1.2 Provision of Sub-grants for the implementation of eligible community infrastructure Sub-projects based on the Kum Ban development plans prepared under the Project.

**Part 2: Local and Community Development Capacity Building**

2.1 Provision of technical assistance to build the capacity of Kum Bans and villages to assess their needs and prepare Kum Ban development plans, and to plan, implement and monitor Sub-projects.

2.2 Provision of technical assistance to build the capacity of provincial and district authorities to facilitate community and local development planning processes and to support and supervise the development and implementation of Sub-projects.

2.3 Provision of technical assistance to NCRDPE to promote participatory rural development in coordination with various sector ministries and other entities supporting rural development in the Recipient’s territory.

2.4 Provision of technical and operational assistance for the development and implementation of partnerships between PRF and other agencies in rural sanitation, nutrition, poverty assessment, and other areas within the mandate of PRF.

2.5 Monitoring and evaluation of the activities carried out under Parts 1 and 2 of the Project.

**Part 3: Project Management**

Provision of technical and operational assistance for the day-to-day management of the Project and the carrying out of financial audits.
Part 4: Nutrition Enhancing Livelihood Development

4.1 Provision of capacity building assistance to village self-help groups, with a focus on women’s self-help groups in selected communities, to develop and implement nutrition sensitive livelihood activities and to enhance their knowledge of livelihood activities including financial literacy and production cycles.

4.2 Monitoring and evaluation of the activities carried out under Part 4 of the Project, including carrying out of studies on thematic or operational innovations and participatory assessments of nutrition training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Grant Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make available to the Project Implementing Entity the proceeds of the Financing under a Subsidiary Grant Agreement to be entered into between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association which shall include, inter alia:

(a) the proceeds of the Financing shall be made available by the Recipient to the Project Implementing Entity on a non-reimbursable grant basis;

(b) the Project Implementing Entity shall: (i) carry out the Project with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices; including in accordance with the provisions of this Agreement, the POM, the ESMF, the CRPF, the EGPF, the Safeguard Assessments and Plans, and the Anti-Corruption Guidelines; and (ii) provide, promptly as needed, the resources required for such purpose;

(c) the Project Implementing Entity shall ensure that any goods, works and/or services to be financed out of the Financing are procured in accordance with the provisions of Section III of this Schedule;

(d) the Project Implementing Entity shall: (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project; (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made, and two (2) years after the Closing Date; (iii) prepare and furnish to the Recipient and the Association interim unaudited financial reports as provided for in Section II.B of this Schedule; and (iv) have its records, accounts and financial statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the
Association, and promptly furnish the statements as so audited to the Recipient and the Association, but in any event not later than six (6) months after the end of the Recipient’s fiscal year;

(e) the Project Implementing Entity shall enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents;

(f) the Project Implementing Entity shall permit the Association to make the Subsidiary Grant Agreement and all financial statements audited pursuant to paragraph (d) above available to the public in accordance with the Association’s policies on access to information;

(g) the Project Implementing Entity shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association and set forth in the POM, the progress of the Project and the achievement of its objectives;

(h) the Project Implementing Entity shall 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;

(i) the Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Financing then withdrawn, upon the Project Implementing Entity’s failure to perform any of its obligations under the Subsidiary Grant Agreement; and

(j) a provision stipulating that, in case of conflict between any of the provisions of the Subsidiary Grant Agreement or the Project Operational Manual, on the one hand, and the provisions of this Agreement and the Project Agreement, on the other, the provisions of this Agreement and the Project Agreement shall prevail.

2. The Recipient shall exercise its rights and perform its obligations under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

B. Project Operational Manual

The Recipient shall ensure that the Project is carried out in accordance with the arrangements and procedures set out in the Project Operational Manual (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 December 31 of each fiscal year of the Recipient during the implementation of the Project (or such later date as the Association may agree) for the Association’s approval, a consolidated Annual Work Plan and Budget (“AWPB”) containing all Project activities and Eligible Expenditures proposed to be included in the Project in the Recipient’s following fiscal year, including the Recipient’s proposed counterpart share in the cost of the AWPB.

2. The Recipient shall ensure that the Project is implemented in accordance with the AWPB (provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall provide, promptly as needed, its share of the Project financing as specified in the AWPB.

3. The Recipient shall not make or allow to be made any change to the AWPB without prior approval in writing by the Association.

D. **Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Management Framework, the Compensation and Resettlement Policy Framework, and the Ethnic Group Planning Framework.

2. Whenever a Safeguard Assessment and Plan shall be required for any proposed Project activity in accordance with the provisions of the ESMF, the CRPF and the EGPF, the Recipient shall ensure that: (a) prior to the commencement of such activity, such Safeguard Assessment and Plan is, as applicable: (i) prepared and furnished to the Association for review and no-objection; (ii) disclosed and consulted upon in accordance with the provisions of the ESMF; the CRPF or the EGPF as the case may be; and (iii) thereafter finalized and adopted as accepted by the Association, in a manner satisfactory to the Association; and (b) 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 CRPF, the EGPF 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 Sub-project is not used as an incentive or a tool to support or implement resettlement.

5. Should a village which benefited from a Sub-project be resettled, the Recipient shall, in addition to the compensation provided under the CRPF, provide the village with the equivalent infrastructure provided under the Sub-project.

6. 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 CRPF, the EGPF 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), 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.

7. In the event of any conflict between the provisions of any of the ESMF, the CRPF, the EGPF and the Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

D. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Project Operational Manual. Each Project Report shall cover the period of six (6) months, 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. 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 quarter, interim unaudited financial reports for 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the 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 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 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; (d) Procurement from United Nations Agencies; and (e) Community Participation procedures which have been found acceptable to the Association and set out in the POM.

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**

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 100% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting services, consultants’ services, Sub-grants, Training and Workshops, and Operating Costs.

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of this Section IV.A of this Schedule, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals of amounts of the Financing up to an aggregate amount not to exceed two million Special Drawing Rights (SDR 2,000,000) equivalent may be made for payments made prior to this date but on or after July 31, 2015 for Eligible Expenditures.

2. The Closing Date is June 30, 2020.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1:</td>
<td></td>
</tr>
<tr>
<td>commencing October 1, 2021 to and including April 1, 2031</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing October 1, 2031 to and including April 1, 2041</td>
<td>3.35%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amounts of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” and the acronym “AWPB” each means the work plan and budget referred to in Section I.C of Schedule 2 to this Agreement; as said plan may be modified from time to time with the prior written approval of the Association.


3. “Beneficiary” means a Kum Ban or village selected to receive a Sub-grant for the financing of a Sub-project in accordance with the eligibility criteria and procedures set forth in the Project Operational Manual.

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

5. “Compensation and Resettlement Policy Framework” and the acronym “CRPF” each means the Project Implementing Entity’s framework, dated March 22, 2016, setting out measures and actions to be taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to any Displaced Persons, and protocols and procedures for voluntary land donations, with related public consultation, disclosure, monitoring, reporting and grievance redress procedures; as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.


7. “Displaced Persons” means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

8. “Environmental and Social Assessment” means any assessment to be prepared in accordance with the ESMF pursuant to Section I.D 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 approval of the Association, and such term includes any annexes and schedules to such assessment.

9. “Environmental and Social Management Framework” and the acronym “ESMF” each means the Project Implementing Entity’s framework dated March 22, 2016, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with Project activities and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, monitoring, reporting and grievance redress procedures, including the Environmental Code of Practice, the Pest Management Plan, and small dams safety measures, as said framework may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules or annexes to such framework.

10. “Environmental Code of Practice” means the code included in the ESMF, setting out measures and procedures to avoid, minimize and/or mitigate any adverse environmental, social, health and safety impacts that may result from the implementation of the Project.

11. “Environmental Management Plan” means any plan to be prepared in accordance with the ESMF pursuant to Section I.D of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, setting out, *inter alia*, details of measures to manage potential environmental risks and avoid, minimize and/or mitigate any adverse environmental impacts associated with the implementation of Project activities, together with adequate budget, institutional, monitoring, reporting and grievance redress arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as said plan may be modified from time to time with the prior written approval of the Association, and such term includes any annexes and schedules to such plan.

12. “Ethnic Groups” means social groups residing or engaged in livelihood activities in the Project area, which have a distinct, vulnerable, social and cultural identity, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.
13. "Ethnic Groups Planning Framework" and the acronym "EGPF" each means the Project Implementing Entity's framework, dated March 22, 2016, setting out the strategy to be implemented in the carrying out of the Project in areas where Ethnic Groups are residing, cultivating, hunting and carrying out other similar social activities, which strategy includes special planning measures or actions to be undertaken aimed at ensuring that through informed consultation the Ethnic Groups receive the benefits from the Project in a culturally compatible manner acceptable to them, and do not suffer adverse effects as a result of the implementation of the Project, with related public consultation, disclosure, monitoring, reporting and grievance redress procedures, as said framework may be modified from time to time with the prior no-objection of the Association, and such term includes any schedules or annexes to such framework.

14. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

15. "Kip" means the currency of the Recipient.

16. "Kum Ban" means a group of villages in the Recipient's territory which acts as a coordinating level to facilitate interaction between the district and local communities; and "Kum Bans" means, collectively, all such Kum Bans.

17. "Land Acquisition Plan" means any plan to be prepared in accordance with the DPRF, pursuant to Section I.D of Schedule 2 to this Agreement, each such plan in form and substance satisfactory to the Association, setting out, inter alia, measures for compensation and resettlement of any Displaced Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring, reporting and grievance redress arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms, as said plan may be modified from time to time with the prior written approval of the Association, and such term includes any annexes and schedules to such plan.


19. "Operating Costs" means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), website maintenance, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related
meeting expenses, Project-related travel, subsistence and lodging expenses, and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.

20. “Pest Management Plan” means the plan included in the ESMF, setting out measures to develop and implement integrated pest management and safe handling of pesticides in the course of Project implementation; as the said plan may be modified from time to time with the prior written no-objection of the Association.

21. “Poverty Reduction Fund” and the acronym “PRF” mean the entity established and operating pursuant to the Recipient’s Decree of the Prime Minister on the Establishment of the Poverty Reduction Fund, No.10/PM, dated January 10, 2012, and provided with legal personality distinct from that of the Recipient and possessing administrative, managerial, technical and financial autonomy under the Recipient’s laws and regulations, for purposes of supporting small-scale village investment and services and strengthening local capacity for village development, and any successor thereto acceptable to the Association.


23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 28, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


26. “Project Operational Manual” and the acronym “POM” each means the manual adopted by Project Implementing Entity for the implementation of the Project referred to in Section I.B of Schedule 2 to this Agreement, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) eligibility criteria, appraisal, approval and administration arrangements and procedures for Sub-projects and terms and conditions of Sub-grant Agreements including, inter alia, those referred to in Section I.E of the Schedule to the Project Agreement; (c) disbursement and financial management; (d) procurement; (e) environmental and social safeguards management; (f) monitoring and evaluation, reporting and communication; 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.

27. “Safeguard Assessment and Plan” means any Environmental and Social Assessment, Environmental Management Plan, and Land Acquisition Plan to be prepared in accordance with the ESMF or the CRPF, as the case may be, and the provisions of Section 1.D of Schedule 2 to this Agreement, as said assessment and plan may be modified from time to time with the prior written approval 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.

28. “Sub-grant” means a grant to be made available by the Project Implementing Entity out of the proceeds of the Financing, as specified in the AWPB, to a Beneficiary to finance the reasonable costs of goods, works and services in accordance with the provisions of the respective Sub-grant Agreement; and “Sub-grants” means, collectively, all such grants.

29. “Sub-grant Agreement” means the agreement to be entered into between the Project Implementing Entity and the respective Beneficiary for the purposes of implementing and financing a Sub-project; and “Sub-grant Agreements” means collectively, all such agreements.

30. “Sub-project” means a set of specific activities under Part 1.2 of the Project to be carried out by a respective Beneficiary utilizing the proceeds of a Sub-grant; and the term “Sub-projects” means all such sub-projects.

31. “Subsidiary Grant Agreement” means the agreement referred to in Section 1.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

32. “Training and Workshops” means the reasonable costs of goods and services required for the participation of personnel involved in training and educational activities, workshops and study tours under the Project as set forth in the respective Annual Work Plan and Budget, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, scholarships, and other costs directly related to training or education course, workshop or study tour preparation and implementation, but excluding fees of consultants.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:
1. Section 3.02 is modified to read as follows:

“Section 3.02. Service Charge and Interest Charge

(a) Service Charge. The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) Interest Charge. The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”

2. 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”.

3. 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).”

4. 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”.

5. 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).