Multi-Donor Trust Fund
Grant Agreement

(Lao Poverty Reduction Fund Support Facility Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility

Dated January 22, 2013

WHEREAS:

(A) under an agreement dated July 14, 2011 ("as the same may be amended from time to time, the "Financing Agreement"), the International Development Association agreed to provide the Recipient with a Grant in an amount equivalent to fifteen million eight hundred thousand Special Drawing Rights (SDR 15,800,000) to assist in financing the Poverty Reduction Fund Project II described in Schedule 2 to the Financing Agreement;

(B) the Recipient has requested the World Bank to provide additional financial assistance in support of the Poverty Reduction Fund Project II to scale up activities under the Project;

(C) the government of Australia, through the Australian Agency for International Development (AusAID) has agreed to provide co-financing for the additional assistance for the Project through the Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility administered by the World Bank;

WHEREAS AusAID and the World Bank have agreed on the basis, inter alia, of the Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility 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


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Financing Agreement, or his Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall cause the Project to be carried out by the Poverty Reduction Fund (“Project Implementing Entity”) in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time (“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 of fourteen million five hundred thousand US Dollars (US$14,500,000) (“Grant”) to assist in financing the Project.

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

3.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the donor to the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of
funds made available to it by the donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consist of the following:

(a) the Recipient has taken or permit 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;

(b) 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; and

(c) as a result of events which have occurred after the Effective 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 that the Subsidiary Grant Agreement between the Recipient and the Project Implementing Entity has been amended in form and substance acceptable to the World Bank to include the Grant to be provided to the Project Implementing Entity under this Agreement.
Article VI
Recipient's Representative; Addresses

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

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
23rd Singha Road
Saysettha District
Vientiane, Laos

Facsimile: 855-21 412142

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
United States of America

Cable: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at January 22, 2013, as of the day and year first above written.

LAO PEOPLES DEMOCRATIC REPUBLIC

By

Authorized Representative

Name: ____________________________

Title: ____________________________

Santiphab PHOMVIHANE

INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator of the Multi-Donor Trust Fund for the Lao Poverty Reduction Fund Support Facility

By

Authorized Representative

Name: ____________________________

Title: ____________________________
SCHEDULE 1

Project Description

The objective of the Project is to improve the access to and the utilization of basic infrastructure and services for the Project's targeted poor communities in a sustainable manner through inclusive community and local development processes.

The Project consists of the following parts:

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

1. Support Kum Bans in planning community and local development activities.

2. Carry out Community Development Sub-projects through the provision of Community Development Sub-grants made available by the PRF to Kum Bans Committees to finance the carrying out of the corresponding Community Development Sub-project in villages in accordance with the provisions of the relevant Community Development Sub-grant Agreements.

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

1. Strengthen the capacity of Kum Bans and villages to, *inter alia*: (a) assess their needs; (b) plan Community Development Sub-projects, and (c) implement and supervise Community Development Sub-projects.

2. Strengthen the Recipient's institutional capacity at the provincial and district levels to, *inter alia*: improve quality of service delivery, promote participatory planning, accountability and transparency mechanisms, and facilitate dialogue between provinces, districts and communities and between various sector ministries with other entities supporting rural development.

3. Strengthen at the central level: (a) the NLCDPE's institutional capacity, and (b) the PRF's coordination with line ministries and other entities supporting rural development.

4. Undertake Project monitoring and evaluation activities.

**Part 3: Project Management**

1. Support the Poverty Reduction Fund in implementing the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The provisions of Section I.A, I.B, I.D and Section II of Schedule 2 and of the Annex to Schedule 2 of the Financing Agreement are incorporated herein by reference and apply to the Grant, mutatis mutandis, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

2. For the purposes of the above paragraph 1. and the definitions in the Appendix to the Financing Agreement, the term (a) “Association” means “World Bank”; (b) “Financing” means this Grant; and (c) “Recipient” means the Recipient of this Grant.

3. The Recipient shall, in cases where a village which benefited from a Community Development Sub-project is resettled, provide said village with the equivalent infrastructure granted under the Sub-project in addition to the compensation under the Compensation and Resettlement Policy Framework.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to the Project Implementing Entity under the Subsidiary Grant Agreement as amended in accordance with Section 5.01 of this Agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.

2. 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 Grant. 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 “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2001 and revised in January 2011 (“Anti-Corruption Guidelines”).
D. **Donor Visibility and Visit**

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

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

**Section II. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All goods, works non-consulting-services and 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:


   (b) the provisions of this Section II, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **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 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**

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.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding in accordance with the Recipient’s Decree of the</td>
</tr>
<tr>
<td>Prime Minister on Government Procurement of Goods, Construction, Maintenance and</td>
</tr>
<tr>
<td>Services, 03/PM dated January 9, 2004, and the Implementing Rules and Regulations on</td>
</tr>
<tr>
<td>Government Procurement of Goods, Works, Maintenance and Services dated March 12,</td>
</tr>
<tr>
<td>2004, and subject further to the procedures listed in the Annex to this Schedule 2.</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Community Participation in Procurement</td>
</tr>
<tr>
<td>(d) Direct Contracting, subject to the World Bank’s prior consent</td>
</tr>
</tbody>
</table>

C. **Particular Methods of Procurement of Consultants’ Services**

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

2. **Other Methods of Procurement of Consultants’ Services.** The following 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:

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single-source Selection, subject to the World Bank’s prior consent</td>
</tr>
<tr>
<td>(d) Sole-source Selection of Individual Consultants, subject to the World Bank’s</td>
</tr>
<tr>
<td>prior consent</td>
</tr>
<tr>
<td>(e) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
D. **Review by the World Bank of Procurement Decisions**

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 III. **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 thirty-seven percent (37%) inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting services, consultants' services, Community Development Sub-grants, Training and Workshops and Incremental Operating Costs under the Project, or any other percentage determined from time to time between the Association and the Recipient.

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 counter signature of this Agreement.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2015.
ANNEX
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 than the bid price as well as the duration and summary scope of the contract awarded; and (f) contract variation orders. This publication shall be updated quarterly.

4. The eligibility of bidders shall be as defined under section 1 of the Procurement Guidelines, a firm or individual previously declared ineligible by the association based on determination by the 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 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, an World Bank-financed contract.