

CONFORMED COPY

CREDIT NUMBER 3186 LA

Project Agreement

(District Upland Development and Conservation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

KHAMMOUANE PROVINCE

Dated July 15, 1999

CREDIT NUMBER 3186-LA

PROJECT AGREEMENT

AGREEMENT, dated July 15, 1999 between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and KHAMMOUANE PROVINCE (KHAMMOUANE PROVINCE).

WHEREAS by the Development Credit Agreement of even date herewith between Lao People's Democratic Republic (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one million five hundred thousand Special Drawing Rights (SDR 1,500,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Khammouane Province agrees to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Khammouane Province, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the

respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Khammouane Province declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement and, to this end, shall carry out the Project with due diligence and efficiency, and in conformity with appropriate administrative, financial, engineering and technical practices, and with due regard to ecological and environmental factors, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and, except as the Association and Khammouane Province shall otherwise agree, Khammouane Province shall carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Khammouane Province shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Khammouane Province shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association, not later than six (6) months before the Closing Date or such later date as may be agreed for this purpose between the Association and Khammouane Province, a plan designed to ensure the continued achievement of the Project's objectives; and

(ii) afford the Association a reasonable opportunity to exchange views with Khammouane Province on said plan.

Section 2.04. (a) Khammouane Province shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Credit.

(b) Khammouane Province shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Khammouane Province of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Khammouane Province shall maintain, or cause to be maintained, records and separate accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Project of its corresponding departments

or agencies responsible for carrying out the Project, or any part thereof.

(b) Khammouane Province shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such Fiscal Year, the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts, and the audit thereof, as the Association shall from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Khammouane Province shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Khammouane Province, not later than December 31, 2000, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, Khammouane Province shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the

Association and of Khammouane Province thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Khammouane Province of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Khammouane Province:

Governor of Khammouane Province
Khammouane Province
Lao People's Democratic Republic

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Khammouane Province, may be taken or executed by Governor of Khammouane Province, or such other person or persons as Governor of Khammouane Province shall designate in writing, and Khammouane Province shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ngozi Okonjo-Iweala
Authorized Representative

KHAMMOUANE PROVINCE

By /s/ Vanvang Rattavong
Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the "Guidelines"), and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines the references to "Bank member countries" and "member country" shall be deemed to be references to "Participating Countries" and "Participating Country", respectively.

Part B: Procurement Procedures

1. International Shopping

A short-band radio system and satellite images shall be procured under a contract awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Except as provided in paragraphs 1 and 3 of this Part, goods shall be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Procurement from UN Agencies

Vehicles shall be procured from the Inter-Agency Procurement Services Organization (IAPSO) in accordance with the provisions of

paragraph 3.9 of the Guidelines.

4. Procurement of Small Works

Except as provided in paragraphs 5 and 6 of this Part, works shall be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

5. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and estimated to cost less than \$25,000 equivalent per contract, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

6. Community Participation

Works estimated to cost \$25,000 equivalent or less per contract, may be procured in accordance with procedures acceptable to the Association and specified in the Project Implementation Manual.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance in any Fiscal Year of any invitations to bid for contracts, a proposed annual procurement plan for the Project for the Fiscal Year shall be furnished to the Association, for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such annual procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) Subject to the provisions of the following sub-paragraphs, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to the first two contracts for goods and the first two contracts for works in each Fiscal Year.

(b) If either of the contracts referred to in the preceding sub-paragraph is to be procured in accordance with the procedures referred to in Part B.1, B.2, B.4 or B.6 of this Section I, the following review procedures shall apply with respect to the contract:

(i) prior to the selection of any supplier or execution of any contract under shopping or small works procedures, Khammouane Province shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under

shopping or small works procedures, Khammouane Province shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A, (the "Consultant Guidelines") and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines the references to "Bank member countries" and "member country" shall be deemed to be references to "Participating Countries" and "Participating Country", respectively.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

Selection Based on Consultants' Qualifications

Services for audits, and monitoring and evaluation under Part D of the Project, estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants in any Fiscal Year of any requests for proposals, a proposed annual plan for the selection of consultants under the Project for the Fiscal Year shall be furnished to the Association, for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such annual selection plan as shall have been approved by the

Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. Khammouane Province shall maintain, until completion of the Project:

(a) the Provincial Project Steering Committee chaired by the Vice-Governor of Khammouane Province, and whose composition and terms of reference shall be acceptable to the Association, to be responsible for the overall coordination and general oversight of the activities of the Project at the provincial level; and

(b) the Project Implementation Unit attached to the office of the Vice-Governor of Khammouane Province, and consisting of suitably qualified and experienced officials in adequate numbers, including a Provincial Project Director, an accountant/disbursement officer, a procurement officer, a monitoring and evaluation officer and a secretary, to be responsible for day-to-day coordination and supervision of the Project at the provincial level.

2. Khammouane Province shall take steps to ensure that Nakai District shall maintain, until completion of the Project:

(a) the District Project Steering Committee chaired by the Vice-Governor of Nakai District, and whose composition and terms of reference shall be acceptable to the Association, to be responsible for the overall coordination and general oversight of the activities of the Project at the district level;

(b) the Project Office attached to the office of the

Vice-Governor of Nakai District, and consisting of suitably qualified and experienced officials in adequate numbers, including a District Project Director, an accountant/book-keeper, a procurement/monitoring officer and a clerk/secretary, to be responsible for day-to-day coordination and supervision of the Project at the district level.

3. Khammouane Province shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than May 15 and November 15 of each year, beginning on November 15, 1999, a semi-annual progress report, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the six month period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the six month period following such date; and

(c) review with the Association each of the reports referred to in sub-paragraph (b) of this paragraph and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of each of the said reports and the Association's views on the matter.

4. Khammouane Province shall:

(a) not later than July 31 of each year, beginning on July 31, 1999, prepare and furnish to the Association, for its review and comments, an annual work plan, financial plan and procurement schedule for the Project for the forthcoming Fiscal Year;

(b) not later than September 30, 1999, develop and furnish to the Association a detailed monitoring plan, for its review and comments, including mechanisms to disseminate experiences and promote replication of activities financed under the Project; and proceed thereafter to implement such monitoring plan, taking into account such comments as may have been made thereon by the Association.

5. Khammouane Province shall carry out the Project in accordance with procedures set out in the Project Implementation Manual and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

