

CONFORMED COPY

CREDIT NUMBER 3131 LA

Project Agreement

(Provincial Infrastructure Project)

among

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF OUDOMXAY

and

PROVINCE OF PHONGSALY

Dated December 21, 1998

CREDIT NUMBER 3131 LA

PROJECT AGREEMENT

AGREEMENT, dated, December 21, 1998, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and PROVINCE OF OUDOMXAY ("Oudomxay") and PROVINCE OF PHONGSALY ("Phongsaly").

WHEREAS: (A) By the Development Credit Agreement of even date herewith between the 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 twenty million seven hundred thousand Special Drawing Rights (SDR 20,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that each of Oudomxay and Phongsaly agree to undertake their respective obligations toward the Association as are set forth in this Agreement; and

WHEREAS: (B) Oudomxay and Phongsaly, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake their respective 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 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) Each of Oudomxay and Phongsaly declares its commitment to the objectives of the Project, as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, Oudomxay shall carry out Part A of the Project and Phongsaly shall carry out part B of the Project both with due diligence and efficiency and in conformity with appropriate administrative, construction, financial, engineering, environmental and public utility practices, and each of Oudomxay and Phongsaly shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts A and B of the Project, respectively.

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

Section 2.02. (a) Oudomxay and Phongsaly 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 Parts A and B of the Project, respectively.

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

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Association and each of Oudomxay and Phongsaly, a plan for the future operation of Parts A and B of the Project, respectively; and

(ii) afford the Association a reasonable opportunity to exchange views with each of Oudomxay and Phongsaly on each said plan.

Section 2.03. (a) Oudomxay and Phongsaly shall, at the request of the Association, exchange views with the Association with regard to the progress of Parts A and B of the Project, respectively, the performance of their respective obligations under this Agreement, and such other matters relating to the purposes of the Credit.

(b) Oudomxay and Phongsaly shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Parts A or B of the Project, respectively, the accomplishment of the purposes of the Credit, or the performance by Oudomxay or Phongsaly of any of its respective obligations under this Agreement.

Section 2.04. 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.

ARTICLE III

Financial Covenants

Section 3.01. (a) Oudomxay and Phongsaly 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 Parts A and B of the Project, respectively, of their corresponding departments or agencies responsible for carrying out said Parts of the project, or any part thereof.

(b) Oudomxay and Phongsaly 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 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.

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 each of Oudomxay and Phongsaly 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 (20) 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 each of Oudomxay and Phongsaly 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 Oudomxay:

Governor of the Province of Oudomxay
Province of Oudomxay
Lao People's Democratic Republic

For Phongsaly:

Governor of the Province of Phongsaly
Province of Phongsaly
Lao People's Democratic Republic

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

(b) Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Phongsaly, may be taken or executed by the Governor of Phongsaly, or such other person or persons as said Governor shall designate in writing, and Phongsaly 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
Acting Regional Vice President
East Asia and Pacific

PROVINCE OF OUDOMXAY

By /s/ Vanvang Rattavong
Authorized Representative

PROVINCE OF PHONGSALY

By /s/ Vanvang Rattavong
Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with 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 and September 1997 (the "Guidelines") and the following provisions of Section I of this Schedule.

Part B: National Competitive Bidding and International Shopping

1. Works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Goods (other than vehicles) shall be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part C: Other Procurement Procedures

1. National Shopping

Goods (other than vehicles) estimated to cost less than the equivalent of fifty thousand dollars (\$50,000) per contract, up to an aggregate amount not to exceed one hundred sixty thousand dollars (\$160,000) equivalent, and small scale works estimated to cost less than the equivalent of fifty thousand dollars (\$50,000) per contract, up to an aggregate amount not to exceed five hundred thousand dollars (\$500,000) equivalent, may 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.

2. Procurement from United Nations Agencies

Vehicles, up to an aggregate amount not to exceed two hundred ten thousand dollars (\$210,000) equivalent, shall be procured through the United Nations Inter-Agency Procurement Services Organization in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project 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 procurement 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 works estimated to cost more than the equivalent of five hundred thousand dollars (\$500,000) per contract to be procured under Part C (1) of this Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods estimated to cost the equivalent of fifty thousand dollars (\$50,000) or more per contract, the following procedures shall apply: (i) prior to the selection of any supplier under shopping procedures, the Borrower 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 procedures, the Borrower 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

Consultants' services shall be procured in accordance with 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 (the "Consultant Guidelines") and the following provisions of Section II of this Schedule.

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

1. Quality-based Selection

Services in respect of rural water supply estimated to cost less than one hundred thousand dollars (\$100,000) equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services other than in respect of rural water supply estimated to cost less than one hundred thousand dollars (\$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 of any requests for proposals, the proposed plan for the selection of consultants under the Project 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 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 two hundred thousand dollars (\$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 one hundred thousand dollars (\$100,000) or more, but less than the equivalent of two hundred thousand dollars (\$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 fifty thousand dollars (\$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

The provisions of this Schedule shall apply for the purposes of Section 2.01 (b) of this Agreement.

Section 1. Until completion of the Project, Oudomxay shall maintain the Oudomxay-PIUs vested with such responsibilities, funds, staff and other requisite resources as shall be satisfactory to the Association, and shall take all measures necessary to enable said PIUs to undertake the overall day-to-day supervision and coordination of their respective components of Part A of the Project in full coordination with the Oudomxay Provincial Division of Communication, Transport, Post and Construction, and otherwise under the overall policy guidance of the MCTPC and the MOPH through Namsaat.

Section 2. Until completion of the Project, Phongsaly shall maintain the Phongsaly-PIUs vested with such responsibilities, funds, staff and other requisite resources as shall be satisfactory to the Association, and shall take all measures necessary to enable said PIUs to undertake the overall day-to-day supervision and coordination of their respective components of Part B of the Project in full coordination with the Phongsaly Provincial Division of Communication, Transport, Post and Construction, and otherwise under the overall policy guidance of the MCTPC and the MOPH through Namsaat.

Section 3. Oudomxay and Phongsaly shall at all times carry out the Plan for Land Acquisition, Compensation and Resettlement with due diligence and efficiency, including (but without limitation) the acquisition of land and resettlement and rehabilitation of Affected Persons. Oudomxay and Phongsaly shall promptly inform the Association of any condition which interferes or threatens to interfere with the implementation of said Plan.

Section 4. Oudomxay and Phongsaly shall at all times carry out the training activities under their respective Parts of the Project in accordance with an annual training program to be furnished to the Association for prior approval not later than April 30 in each Fiscal Year, commencing in Fiscal Year 1999.

Section 5. Without limitation upon the provisions of Section 9.06 of the General Conditions, each of Oudomxay and Phongsaly shall:

(a) Maintain operational procedures adequate to enable it to monitor and evaluate, in accordance with the Project Performance Indicators set forth in Schedule 3 to this Agreement, the progress achieved in carrying out Parts A and B of the Project, respectively.

(b) Prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association: (i) an annual report, not later than November 30 in each Fiscal Year, beginning Fiscal Year 1998, summarizing the monitoring and evaluation activities carried out pursuant to sub-paragraph (a) above in respect of the preceding Fiscal year, and setting forth proposed measures, as indicated by said monitoring and evaluation activities, to further the objectives of the Project; and (ii) a mid-term report, not later than June 30, 2001, setting forth any proposed measures, as indicated by said monitoring and evaluation activities, to further the objectives of the Project.

(c) Exchange views with the Association on each report furnished pursuant to sub-paragraphs (a) and (b) above, and thereafter take all measures in relation thereto as shall have been agreed between the Association and each of Oudomxay and Phongsaly, respectively.

Section 6. Without any limitation or restriction upon the provisions of Article III of this Agreement, Oudomxay and Phongsaly shall at all times carry out the Financial Management Plan with due diligence and efficiency. Oudomxay and Phongsaly shall promptly inform the Association of any condition which interferes or threatens to interfere with the implementation of said Plan.

Section 7. Oudomxay and Phongsaly shall take all action necessary to ensure that the construction, rehabilitation, improvement and installation works, to be carried out under Parts (A) (1), (A) (2) and (A) (3) and Parts (B) (1), (B) (2) and (B) (3) of the Project, respectively, shall be carried out in a manner which at all times ensures that any adverse environmental impact is effectively mitigated in a timely manner which is acceptable to the Association.

SCHEDULE 3

Project Performance Indicators

Output Date

5/31/01
5/31/03
5/31/05

I. Transport Access Length of road rehabilitated (in kilometers)

40
100
180
220
260
280

No. of maintenance contracts awarded

6
10
12
14
16
18

Output Completion Date

I. Transport Access

Airfield construction
5/31/02

Cable river crossing system
5/31/00
5/31/00
5/31/02

Construction of water supply system for M. Khoua
5/31/01

Output Date

5/31/01
5/31/03
5/31/05

III. Provision of Rural Water Supply, Latrine, Sanitation, and Washing Facilities No. of communities with RWSS program initiated

20
50
90
130
170

Output Completion Date

IV. Institutional Strengthening

6 Scholarships awarded

Output
5/31/00
5/31/02
5/31/04

3
6
10
15
18
20

