

CONFORMED COPY

GRANT NUMBER H404-LA

Financing Agreement

(Khammouane Development Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 25, 2008

GRANT NUMBER H404-LA

FINANCING AGREEMENT

AGREEMENT dated July 25, 2008, entered into between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and 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 the Appendix to this Agreement.

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 grant in an amount equivalent to five million six hundred thousand Special Drawing Rights (SDR 5,600,000) ("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 Payment Dates are May 15 and November 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III – PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Khammouane Province in accordance with the provisions of Article IV of the General Conditions.
- 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 – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Recipient has adopted an Operational Manual for the Project, satisfactory to the Association;
 - (b) the Recipient has established the Project Steering Committee referred to in Section IA1 of Schedule 2 to this Agreement; and
 - (c) the Recipient has established (i) the Project Coordination Section referred to in Section IB2 of Schedule 2 to this Agreement; and (ii) the Downstream Irrigation Management Unit referred to in Section I C 3 of Schedule 2 to this Agreement.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. 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 V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Minister of Finance.

5.02. The Recipient's Address is:

Ministry of Finance
23 Singha Road
Post Box No. 46
Vientiane
Lao PDR

Facsimile:

856-21-412142 or 856-21-412417

5.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

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

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By: /s/ Viengthong Siphandone
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ian C. Porter
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient's capabilities with respect to the planning process and public financial management associated with the decentralized delivery of public services and infrastructure, including irrigation development, in Khammouane Province.

The Project consists of the following parts:

Part A: Support for Local Development and Provincial Capacity Building in Khammouane Province

1. Establishing a District Development Fund, to provide:
 - (a) Basic Block Grants to Districts to support finance public infrastructure and services, mainly in eligible Kum Banh and villages, and UXO clearance where required, and
 - (b) Agriculture and Livelihood Grants to support livelihoods improvement in ALG Eligible Villages.
2.
 - (a) Establishing a Provincial Development Fund, which will provide Sub-grants to the Province for strategic investments sub-projects, and
 - (b) Providing technical advisory services and training and organizing workshops to provincial government institutions to strengthen the capacity of the provincial government in: (i) the implementation of the PDF and the DDF; (ii) public expenditure management; and (iii) planning, monitoring, and evaluation; and
 - (c) Providing technical advisory services and other material support to poor villages for agriculture extension services to develop village production groups.
3. Providing technical advisory services and other material support to the Province to support implementation of Part A1 and A2 of the Project.

Part B: Support for Irrigation Development along the NT2 downstream channel and the lower Xe Bang Fai River

1. Rehabilitating the existing irrigation facility in Tha Thot scheme and providing technical advisory services to water user groups to improve the administration and management of the irrigation facility.
2. Providing technical advisory services and other material support for a feasibility study and the design of four irrigation facilities in the Tha Thot area and construction of one irrigation facility of about 130 hectares utilizing discharge water from the NT2 hydropower station.
3. Providing technical advisory services and other material support to the Recipient to develop a strategic plan for potential irrigation development area utilizing discharge water from the NT2 hydropower station.
4. Rehabilitating small pump irrigation facilities along lower Xe Bang Fai River and providing technical advisory services and training to the PAFO, DAFO, and water user groups.
5. Providing technical advisory services and other material support to the Recipient to support implementation of Part B of the Project.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall establish and maintain, throughout the period of implementation of the Project, a Project Steering Committee with representation that includes representatives from the Recipient at the national level and at the Khammouane's provincial level to, *inter alia*, monitor the overall progress of the Project, and provide strategic guidance in the implementation of the Project; the mandate, terms of reference and composition of such committee shall be satisfactory to the Association.
2. The Recipient shall:
 - (a) adopt and thereafter apply in the implementation of the Project an Operational Manual satisfactory to the Association giving details of: (i) implementation arrangements; (ii) procurement procedures as set forth in Section III of this Schedule and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section II.B of this Schedule; (iv) project performance indicators as set forth in Section II.A of this Schedule; (v) Environment and Social Safeguard Screening Framework; (vi) criteria for the selection of Sub-projects, along with the terms and conditions of Sub-grants provided under the DDF and the PDF, including those set forth in Section I.D of this Schedule; and (vii) maintenance provisions for works to be carried out under a Sub-project;
 - (b) undertake not to amend, suspend, abrogate, repeal or waive any provisions of the Operational Manual without the prior agreement of the Association;
 - (c) ensure that the Operational Manual is made available, at all times until completion of the Project, to the Province's departments, the Districts, the Kum Banh, the villages and the ALG Eligible Villages, and applied in the carrying out of Sub-projects; and
 - (d) subject to the prior agreement of the Association, periodically update the Operational Manual.

B. Implementation Obligations for Part A of the Project

1. The Khammouane Province shall implement Part A through the DPI.
2. For purposes of executing Part A of the Project, the Recipient shall:
 - (a) cause the Province to maintain, throughout the period of implementation of the Project, the Project Coordination Section, which Section shall be provided with sufficient resources and competent staff in adequate numbers to carry out its terms of reference, in each case satisfactory to the Association;
 - (b) cause the Province to provide, throughout the period of implementation of the Project, the Districts with sufficient resources and competent staff in adequate numbers and in each case satisfactory to the Association, to carry out the day-to-day execution of Part A.1(a) of the Project; and
 - (c) cause the Province to provide, throughout the period of implementation of the Project, the DAFO, who will be responsible for the day-to-day execution of Part A.1(b) of the Project, with sufficient resources and competent staff in adequate numbers and with appropriate terms of reference, in each case satisfactory to the Association.
3. For purposes of providing BBGs and ALGs under the Project, the Recipient shall apply the proceeds of the Financing allocated to Categories (1) and (2) respectively to finance Sub-projects in accordance with the guidelines, procedures and criteria set forth in the Operational Manual, and the additional terms and conditions set forth in subsection I D of this Schedule.
4. The Recipient shall ensure and cause the Province to ensure that:
 - (a) the District Planning Teams are established in each District of the Province for the duration of the Project and perform the functions and responsibilities mentioned in the Operational Manual, including, *inter alia*, the verification, appraisal and preliminary design and costing of the Sub-projects to be funded under paragraph 1(a) of the Part A of the Project;
 - (b) the District Planning Committees are established in each District of the Province for the duration of the Project and perform the functions and responsibilities mentioned in the Operational Manual, including, *inter alia*, the approval of the Sub-projects to be funded under paragraph 1(a) of the Part A of the Project;

- (c) the Provincial Planning Team comprising the representatives of line departments is established for the duration of the Project and performs the functions and responsibilities mentioned in the Operational Manual, including, *inter alia*, the approval of the Sub-Projects to be funded under 2(a) of the Part A of the Project; and
 - (d) all Districts are eligible for DDF Sub-grants subject to the establishment of a District Planning Team and the District Planning Committee in said District pursuant to sub-paragraphs (a) and (b) of this paragraph.
5. The Recipient shall ensure that the Province disclose adequate information on grants to the Districts, the Kum Banh, the villages and the ALG Eligible Villages.
 6. The Recipient shall ensure and cause the Province, through the DPI, to ensure that the PDF sub-projects are selected by the PPT and approved by PSC.

C. Implementation Obligations for Part B of the Project

1. The Khammouane Province shall implement Part B through MAF's Department of Irrigation and ensure that the day-to-day management is carried out by the Provincial Agriculture and Forestry Office through its Downstream Irrigation Management Unit.
2. The Khammouane Province shall provide throughout the period of implementation of the Project sufficient resources and competent staff in adequate numbers, in each case satisfactory to the Association.
3. The Recipient shall maintain, and cause the Province to maintain, throughout the period of implementation of the Project, the Downstream Irrigation Management Unit to be provided with sufficient resources and competent staff in adequate numbers and with appropriate terms of reference, in each case satisfactory to the Association.

D. Sub-projects under Part A of the Project

1. No Sub-project shall be eligible for financing out of the proceeds of the Financing unless the corresponding proposals for the Sub-projects have been prepared and submitted, and the review of proposals and award of the Sub-grants have been undertaken, in accordance with the guidelines, procedures and selection criteria set forth in the Operational Manual.
2. No Sub-grant shall be made to finance expenditures pertaining to or involving:
 - (a) a military or paramilitary purpose;
 - (b) civil works for government administration or religious purposes;
 - (c) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides),

arms or drugs; (d) the manufacture or use of dynamite; (e) the financing of government salaries; (f) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (g) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient's agency responsible for the management and/or protection of such area; (h) water resources development on rivers which flow into or out of another country; (i) alterations to river courses; (j) land reclamation covering an area in excess of 50 hectares; (k) new irrigation facilities covering an area in excess of 50 hectares; (l) the construction of water retaining or storage structures of a capacity greater than 10,000 cubic meters; or (m) the provision of goods, works or services, directly or through intermediaries, by suppliers or contractors, as the case may be, who have been declared ineligible to participate in the procurement of any Bank-financed or Association-financed contract, whether indefinitely or for a stated period of time, as a result of a decision of the Bank or the Association, and in accordance with the terms of the decision.

3. (a) BBGs may be provided to support investment proposals presented to the District on behalf of communities by their respective Kum Banh to finance economic or social infrastructure activities pertaining to Sub-projects, provided, however, that such Sub-projects:
 - (i) are technically and financially feasible, and capable of being implemented by the communities themselves with only locally available technical assistance;
 - (ii) are of benefit to the communities, and to the poor in particular, and
 - (iii) respond to a public need.
- (b) The amount of each BBG shall be determined in accordance with the provisions of the Operational Manual.
4. (a) ALGs may be provided to support investment proposals presented to the District on behalf of ALG Eligible Villages by their respective Kum Banh, to purchase community facilities and demonstration materials, including seeds and livestock, pertaining to Sub-projects, provided, however, that such Sub-projects:
 - (i) are technically and financially feasible, and capable of being implemented by the communities themselves with only locally available technical assistance;

- (ii) are of benefit to the communities, and to the poor in particular; and
 - (iii) respond to a public need.
 - (b) The amount of each ALG shall be determined in accordance with the provisions of the Operational Manual.
5. Sub-grants under the PDF may be provided to provincial departments to support investments which may include: the expansion of teacher training facilities, improvements to the provincial agriculture extension services center, and other small-scale infrastructure improvements expected to cost up to the Kip equivalent of US\$50,000 per Sub-Project.
6. With respect to each eligible Sub-project for which the Recipient has decided to make available a Sub-grant, the Recipient shall enter into or cause to be entered into a Sub-grant Agreement with the proposed Beneficiary on terms and conditions approved by the Association, which shall include the following:
- (a) the amount of the Sub-grant which shall be denominated in Kip;
 - (b) details of agreed disbursement schedules;
 - (c) provisions to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement;
 - (d) requirements to: (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant and Credit proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose of the Sub-project; (iii) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (iv) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Sub-project; (v) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (vi) 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.

7. No Sub-project shall be eligible for financing out of the proceeds of DDF, ALG, or PDF unless a Sub-grant Agreement has been concluded to this effect on terms and conditions set forth in this Sub-section D and the Operational Manual.
8. The Beneficiary shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Beneficiary shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

E. Anti-Corruption

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

F. Safeguards

1. The Recipient shall:
 - (a) ensure that all Sub-projects and civil works to be financed through the Project are technically and economically viable, and have been designed and appraised, with due regard for public health, safety, social and environmental standards acceptable to the Association, and pursuant to the Environmental and Social Safeguards Framework;
 - (b) (i) ensure that an environmental screening of each Sub-project and civil works has been carried out and, if necessary on the basis of such screening, a full Environmental Impact Assessment has been carried out, on terms satisfactory to the Association, in order to determine any measures to be taken to prevent, minimize, mitigate or compensate any environmentally adverse effects; and (ii) in the event that any Sub-project or civil works would require any such mitigation measures, prior to commencing such Sub-project or civil works, ensure that an Environmental Management Plan has been prepared by the Beneficiary, in accordance with the Environment and Social Safeguards Framework, and thereafter, implement the environmental management plan, in a manner and substance satisfactory to the Association;
 - (c) (i) ensure that a social screening of each Sub-project and civil works has been carried out and, if necessary on the basis of such screening, all necessary actions have been taken in order to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets, or income, or means of livelihood, temporarily or permanently; and (ii) in the event that the Sub-projects

and civil works would give rise to Displaced Persons, ensure that a compensation and resettlement action plan has been prepared prior to the commencement of such Sub-projects or civil works, in accordance with the Environment and Social Safeguards Framework, and thereafter, implement the resettlement action plan in a manner and substance satisfactory to the Association;

- (d) if on the basis of the screening referred in sub-paragraph (c) above it is determined that Ethnic Groups reside, cultivate, hunt or undertake any other similar social activity within the proposed Sub-project area, ensure that an indigenous people development plan has been prepared prior to commencement of such Sub-projects and civil works, in accordance with the Environment and Social Safeguards Framework and with full participation and informed consultation of the affected ethnic groups, and with due regard to their cultural preferences, and thereafter implement the indigenous people development plan in a manner and substance satisfactory to the Association;
- (e) furnish to the Association for its prior approval any revisions proposed to be introduced into the Environment and Social Safeguards Framework and the environmental management plans, the compensation and resettlement action plans, and the indigenous people development plans prepared pursuant thereto in order to achieve their objectives; and thereafter introduce such revisions into and implement such Framework, environmental management plans, compensation and resettlement action plans and indigenous people development plans in a manner and substance satisfactory to the Association; and
- (f) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Framework, environmental management plans, compensation and resettlement action plans and indigenous people development plans, and the achievement of their objectives.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Recipient shall 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 agreed with the Association. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than one (1) month 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. The Recipient shall prepare and furnish to the Association interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
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 and Works.** All goods and works 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding subject to the procedures listed in the Annex to this Schedule 2
(b)	Shopping
(c)	Direct Contracting
(d)	Community Participation in Procurement

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Least-Cost Selection
(b)	Selection Based on Consultant’s Qualifications
(c)	Single Source Selection
(d)	Individual Consultants
(e)	Individual Consultants selected on a sole source basis

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

1. 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 Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Sub-grants under the District Development Fund:		
(a) Basic Block Grants	1,590,000	90%
(b) Agriculture and Livelihood Grants	170,000	100%
(2) Sub-grants under the Provincial Development Fund	600,000	90%
(3) Goods, works, consultants’ services and Incremental Operating Costs for Parts A.2 (a) and (b), and A.3 of the Project	1,040,000	100%
(4) Goods, works, consultants’ services and Incremental Operating Costs for Parts B.1 and B.2 of the Project	1,150,000	100%
(5) Goods, works, consultants’ services and Incremental Operating Costs for Parts B.3, B.4 and B.5 of the Project	1,050,000	100%
TOTAL AMOUNT	5,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; or
 - (b) under Category (4) until the Recipient has entered into the agreement referred to in Section VI(a) of this Schedule.
2. The Closing Date is March 31, 2014.

Section V. Other Undertakings

1. The Recipient shall:
 - (a) by December 31, 2008, enter into an agreement with the NTPC satisfactory to the Association stipulating NTPC's commitments to:
 - (i) take specified measures to mitigate the impacts of the downstream channels on the existing irrigation scheme in Tha Thot village, and
 - (ii) construct a new irrigation facility to divert water from the regulating dam to the Tha Thot area; and
 - (b) by March 30, 2011, submit to the Association a mid-term review report prepared with terms of reference satisfactory to the Association.

**ANNEX
to
SCHEDULE 2**

National Competitive Bidding Procedures

1. Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers contractors and their subcontractors to permit the Association 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 Association, if so required by the Association. 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 Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bid were rejected and the reasons for rejection; (e) name of the winning bidder, contract price, explanation if it is different that bid price as well as the duration and summary scope of the contract awarded; and (f) contract variation orders. This publication shall be updated quarterly.
4. The eligibility of bidders shall be as defined under section I of the Bank's Guidelines for Procurement under IBRD Loans and IDA Credits, published by the Bank in October 2006; accordingly, a firm or individual previously declared ineligible by the Association based on determination by the Association 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 Association.
5. The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association 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 Association-financed contract.

APPENDIX**Definitions**

1. “Agriculture and Livelihood Grants” and the acronym “ALG” mean grants provided to the ALG Eligible Villages to support the production groups.
2. “ALG Eligible Villages” means the 27 villages in Maxasay, Hinboun, and Boulapah Districts identified by the Province which are not participating in any of the Recipient’s or donor-funded rural livelihoods programs, a list of which is included in the Operational Manual, and such other villages which may become eligible in accordance with the criteria set out in the Operational Manual and agreed to between the Recipient and the Association.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
4. “Basic Block Grant” and the acronym “BBG” mean Sub-grants provided to Districts, Kum Banh, and villages, to finance public infrastructure.
5. “Beneficiary” means the beneficiary of a Sub-grant.
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
8. “Department of Irrigation” means the Department of Irrigation of MAF or any successor thereto.
9. “Department of Planning and Investment” and the acronym “DPI” mean the Province’s Department of Planning and Investment or any successor thereto.
10. “Displaced Person” means a person who, on account of the execution of the Project, 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 to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, the plural thereof.

11. “District” means a district level local administration stipulated under Article 2 of the Law on Local Administration dated October 21, 2003.
12. “District Agriculture and Forestry Office” and the acronym “DAFO” mean the office appointed for the 8 Kum Banh which cover ALG Eligible Villages to identify Sub-projects to be presented to the DPT for approval.
13. “District Development Fund” and the acronym “DDF” mean the District Development Fund referred to under Part A.1 of the Project.
14. “District Planning Committee” means the District Planning Committee referred to in Section IB4(b) of Schedule 2 to this Agreement.
15. “District Planning Team” means the District Planning Team referred to in Section IB4(a) of Schedule 2 to this Agreement.
16. “Downstream Irrigation Management Unit” means the Downstream Irrigation Management Unit of the Provincial Agriculture and Forestry Office or any successor thereto.
17. “Environment and Social Safeguard Screening Framework” means the framework instrument, satisfactory to the Association, duly approved by the Recipient through its Provincial Order on March 19, 2008, and referred to in paragraph F1 of Section I of Schedule 2 to this Agreement, which sets forth the principles and procedures, satisfactory to the Association, governing: (i) the environmental impact screening of Sub-projects and civil works to be carried out under Project be done prior to the commencement of such Sub-projects and civil works, and the environmental protection measures, if any, required to be undertaken in order to avoid or mitigate potential adverse environmental impacts resulting from such Sub-projects and civil works; (ii) land or other asset acquisition from, resettlement and rehabilitation of and compensation to, Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said principles, and for the preparation of compensation and resettlement action plans whenever required in the carrying out of Project implementation activities; and (iii) the strategy to be implemented or cause to be implemented by the Recipient 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; as said Framework may be revised from time to time with the prior approval of the Association.

18. “Ethnic Group” means, for purposes of the Project, the social groups residing or engaged in livelihood activities under the Project from time to time; each of which possesses a distinct social and cultural identity that makes it vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) a language, often different from the Lao language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
20. “Implementation Committee” means the committee established by the Recipient to monitor the activities under Part A of the Project.
21. “Incremental Operating Costs” means reasonable expenditures incurred in managing and coordinating the implementation of the Project, including costs of office equipment, consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required under the Project, postage and handling, and travel, lodging and per diems which expenditures would not have been incurred absent the Project, but excluding salaries of officials of the Recipient’s civil service and of local government officials.
22. “Kip” means the currency of the Lao People’s Democratic Republic.
23. “Kum Banh” means a group of villages which acts as a coordinating level to facilitate interaction between the District and local communities.
24. “Ministry of Agriculture and Forestry” and the acronym “MAF” mean the Recipient’s Ministry of Agriculture and Forestry or any successor thereto.
25. “Nam Theun Power Company” and the acronym “NTPC” mean the entity registered as Nam Theun Power Company in Vientiane on August 28, 2002.
26. “Operational Manual” means the operational manual developed for the implementation of the Project, and satisfactory to the Association.
27. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.

28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 6, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
29. “Project Coordination Section” means the Project Coordination Section of the DPI or any successor thereto.
30. “Project Steering Committee” means the committee referred to in Section IA1 of Schedule 2 to this Agreement.
31. “Province” means the Recipient’s Khammouane Province.
32. “Provincial Agriculture and Forestry Office” and the acronym “PAFO” mean the office of the Ministry of Agriculture and Forestry at the provincial level to implement the agriculture policy, law, strategy, programs and projects in the province, established under Article 2 of the Ministry of Agriculture and Forestry Decree No. 1064 dated October 23, 2007.
33. “Provincial Development Fund” and the acronym “PDF” mean the Provincial Development Fund referred to under Part A.2 of the Project.
34. “Provincial Planning Team” and the acronym “PPT” mean the Provincial Planning Team referred to in Section IB4(c) of Schedule 2 to this Agreement.
35. “Sub-grant” means a grant made available under the DDF and the PDF to be made available to a Beneficiary in accordance with the provisions of a Sub-grant Agreement, and the term “Sub-grants” means, collectively, more than one Sub-grant.
36. “Sub-grant Agreement” means the agreement to be entered into for purposes of implementing and financing a Sub-project, and the term “Sub-grant Agreements” means collectively, all such Sub-grant Agreements.
37. “Sub-project” means a sub-project to be supported under the DDF or PDF to be carried out by a Beneficiary utilizing the proceeds of a Sub-grant, all in accordance with the provisions of the Operational Manual, and the term “Sub-projects” means all such Sub-projects.
38. “Unexploded Ordnance” and the acronym “UXO” mean the Lao National Unexploded Ordnance Programme established by the Prime Minister’s Decree No. 49 dated February 13, 1996.