

CONFORMED COPY

CREDIT NUMBER 2579 LA

(Luang Namtha Provincial Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF LUANG NAMTHA

Dated May 18, 1994

CREDIT NUMBER 2579 LA

PROJECT AGREEMENT

AGREEMENT, dated May 18, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") and PROVINCE OF LUANG NAMTHA ("PLN").

WHEREAS: (A) 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 seven million one hundred thousand Special Drawing Rights (SDR 7,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that PLN agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS: (B) PLN, 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) PLN 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, except Part B(1) thereof, with due diligence and efficiency and in conformity with appropriate administrative, financial, economic, engineering and sound environmental practices, 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 PLN shall otherwise agree, PLN shall: (i) carry out the Project, except Part B(1) thereof, in accordance with an implementation program satisfactory to the Association; and (ii) not later than June 30 in each Fiscal Year, beginning with the Fiscal Year ending September 30, 1995, review with the Borrower and the Association the progress achieved in carrying out the Project and update the said implementation program accordingly.

Section 2.02. PLN shall establish and thereafter maintain within its Provincial Governor's Office a Project Coordination and Monitoring Unit (the "PCMU") headed by an experienced and qualified Project director, and vest it with such responsibilities, funds, staff and other requisite resources as shall be required to enable the PCMU to undertake the overall supervision and coordination of the Project. For such purposes, PLN shall: (a) not later than June 1, 1994, cause DCTPC to employ and thereafter assign to the PCMU a road management and maintenance technician, a water supply and sanitation technician and two (2) construction supervisors, each with functions and qualifications and terms of employment satisfactory to the Association; and (b) pursuant to a time-table satisfactory to the Association, establish and thereafter maintain under the PCMU a Component Implementation Unit (the "CIU") for supervising the day-to-day implementation of each of Parts A and B of the Project, respectively, and ensure that each CIU is vested with the necessary funds, staff and other resources as shall be required to enable it to implement its respective Part of the Project, including, inter alia, the procurement of goods and services required therefor.

Section 2.03. PLN shall, not later than August 1, 1994, enter into a management agreement, with terms and conditions acceptable to the Association, with Nampapa Lao for the management and maintenance of the water supply standpipe systems to be installed in PLN's districts of Old Namtha and Singh under Part B(2) of the Project.

Section 2.04. PLN shall, not later than December 30, 1994 and in accordance with a plan of action acceptable to the Association, complete the installation of an individual water supply meter in each existing household connected to the water supply system of its district of New Namtha.

Section 2.05. (a) PLN shall apply and effectively collect: (i) not later than June 1, 1994, throughout the Borrower's district of New Namtha, a water supply and sanitation services tariff equal to at least seventy Kips per cubic meter consumed (70Kip/m³ consumed);

and (ii) not later than January 1, 1995, throughout the Borrower's districts of Old Namtha and Singh, water supply and sanitation household charges sufficient to cover the reasonable cost of managing and maintaining the water supply and sanitation services sub-contracted to Nampapa Lao by PLN.

(b) Thereafter PLN shall review annually with the Association and the Borrower whether the said tariff and charges adequately reflect the reasonable cost of water supply and sanitation services throughout PLN's provincial districts and, taking into account the Association's recommendations, PLN shall promptly take all necessary measures to adjust said tariff and charges as needed to reflect such cost.

Section 2.06. PLN 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.

Section 2.07. (a) PLN 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) PLN 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 PLN of its obligations under this Agreement.

Section 2.08. 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) PLN 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 the departments or agencies of PLN responsible for carrying out the Project, except Part B(1) thereof.

(b) PLN 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 four (4) 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 PLN thereunder shall terminate on the earlier of the following two (2) 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 PLN 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 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

For PLN:

Governor of the Province of Luang Namtha
Province of Luang Namtha
c/o Ministry of Finance
Vientiane
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 PLN, or by PLN on behalf of the Borrower

under the Development Credit Agreement, may be taken or executed by the Governor of PLN, or such other person or persons as said Governor shall designate in writing, and PLN 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/ Gautam S. Kaji
Regional Vice President
East Asia and Pacific

PROVINCE OF LUANG NAMTHA

By /s/ Hiem Phommachanh
Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: Procurement Procedures

1. Contracts for mechanized works estimated to cost the equivalent of four hundred thousand dollars (\$400,000) or less per contract, and contracts for labor-based works estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or less per contract, up to an aggregate amount not to exceed the equivalent of five million dollars (\$5,000,000), may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Contracts for goods, including vehicles, estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million dollars (\$1,000,000), may be awarded on the basis of comparison of price quotations obtained from at least three suppliers from countries eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the "Guidelines"), in accordance with procedures acceptable to the Association.

3. Contracts for works to be executed by mechanized contractors estimated to cost the equivalent of one hundred and fifty thousand dollars (\$150,000) or less per contract, and contracts for labor-based works estimated to cost the equivalent of eighty thousand dollars (\$80,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million seven hundred thousand dollars (\$1,700,000), may be awarded after direct negotiations with

contractors, subject to the prior approval of the Association all in accordance with procedures acceptable to the Association.

Part B: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to (i) the first three (3) contracts for works awarded pursuant to the provisions of Part A (1) hereof, (ii) all contracts for goods awarded pursuant to the provisions of Part A (2) hereof and (iii) all contracts for goods or works awarded pursuant to the provisions of Part A (3) hereof, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two (2) conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two (2) conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

2. The figure of fifteen percent (15%) is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist PLN in carrying out the Project, PLN shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the "Consultant Guidelines").

2. For complex, time-based assignments, PLN shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, PLN shall use other standard forms agreed with the Association.

