

CONFORMED COPY

GRANT NUMBER H547-LA

Financing Agreement

(Road Sector Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 2, 2010



GRANT NUMBER H547-LA

FINANCING AGREEMENT

AGREEMENT dated April 2, 2010, 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 seventeen million nine hundred thousand Special Drawing Rights (SDR 17,900,000) ("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 February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollars.

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 MPWT, 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 — REMEDIES

- 4.01. The Additional Event of Suspension consists of the following:
 - (a) subject to paragraph (b) of this paragraph, the right of the Recipient to withdraw the proceeds of the Co-financing made to the Recipient for the financing of Parts 2(a)(i) and 2(d) of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreement; and
 - (b) paragraph (a) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that: (i) such withdrawal, suspension, cancellation or termination is not caused by a failure of the Recipient to perform any of its obligations under the Co-financing Agreement; and (ii) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE V— EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Financial Management Manual acceptable to the Association has been duly adopted by the Recipient pursuant to the provisions of paragraph 3, Section I, Schedule 2 to this Agreement.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
23 Singha Road
Nongbone Village
Saysettha District
Vientiane, Lao PDR
Facsimile: 856-21-412142

6.03. 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/ H.E. Viengthong Siphandone
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Annette Dixon
Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are: (a) to improve road services on two (2) main national corridors and the provincial road network; (b) to rehabilitate roads damaged by Typhoon Ketsana; and (c) to establish and operationalize a contingency fund for quick disaster response in the road sector.

The Project consists of the following parts:

Part 1. Road Network Improvement and Preservation

- (a) Upgrading two (2) National Roads to sealed standards, including: (i) the acquisition of land and carrying out of resettlements needed to upgrade said national roads; and (ii) the management, supervision and monitoring of the construction contracts to upgrade said two (2) national roads.
- (b) Supporting the Recipient's road maintenance program by: (i) carrying out periodic maintenance on priority sections of a provincial road network as identified in annual work programs; and (ii) managing, supervising and monitoring implementation of said program.
- (c) Supporting the implementation of the National Road Safety Strategy and Action Plan through the acquisition and installation of road safety related goods.

Part 2. Institutional Strengthening

- a. Strengthening the institutional capacity of the Recipient's transport sector at the national level by: (i) improving strategic transport sector management and planning capacity; and (ii) improving strategic local road development and management capacity, including, *inter alia*, information and communication technology development, road condition data collection, construction unit costs analysis and fiduciary capacities.
- b. Strengthening the Recipient's capacity to carry out effective implementation of the ESOM and the Compensation and Resettlement Decree, including its technical guidelines and procedures.
- c. Strengthening MPWT's internal control capacity on road infrastructure investments by, *inter alia*: (i) developing and implementing an internal audit program and an internal control and accountability framework; and (ii) carrying out independent technical and financial audits and inspections.

- d. Strengthening the institutional capacity of the Recipient's transport sector at the provincial and local levels in the areas, *inter alia*, of: contract management, financial management, and procurement, and safeguard compliance and monitoring.

Part 3. Disaster Recovery and Contingency

- (a) Rehabilitating roads damaged by Typhoon Ketsana located in selected southern provinces of the Recipient, including engineering and supervision support needed for carrying out said rehabilitation work.
- (b) Assisting the Recipient in developing and implementing a disaster response to ensure passability and safety of affected national and provincial road networks following the occurrence of a natural disaster through the provision of Eligible Goods and Works described in Schedule 3 of this Agreement.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, throughout the period of implementation of the Project, the Road Maintenance Fund Advisory Board and its secretariat, with sufficient resources, appropriately qualified and competent staff in adequate numbers with terms of reference satisfactory to the Association. The Secretariat of the Road Maintenance Fund Advisory Board shall be vested with financial management responsibility under Part 1(b)(i) of the Project.
2. The Recipient shall maintain within MPWT, throughout the period of implementation of the Project, the DPC, with sufficient resources, appropriately qualified and competent staff in adequate numbers with terms of reference satisfactory to the Association, responsible for carrying out the management, coordination and monitoring of all activities and implementing entities under the project.
3. The Recipient shall through MPWT:
 - (a) adopt and thereafter implement a Financial Management Manual satisfactory to the Association, which plan shall include, *inter alia*: (i) financial management and disbursement procedures consistent with the provisions of Section II.B of Schedule 2 to this Agreement; (ii) the measures to strengthen the internal controls and accountability; and (iii) the financial management and disbursement arrangements for Part 3 of the Project; and
 - (b) undertake not to amend, suspend, abrogate, repeal and waive any provisions of the Financial Management Manual without the prior agreement to the Association.
4. The Recipient shall by June 30, 2012, take all such actions as shall be necessary to increase the revenue basis for the RMF, including through increasing levies on motor vehicle fuel to a level of not less than four hundred (400) Kip per liter.
5. In carrying out Part 1(b)(i) of the Project, the Recipient shall, through MPWT, by March 1 of each calendar year, commencing on March 1, 2011, prepare, under terms of reference satisfactory to the Association, and submit to the Association, for its review and comments: (i) a draft annual work program for road and bridge

preservation covering the national and provincial road networks; and (ii) a three-year rolling preservation plan, and thereafter carry out such program and plan, taking into account the Association's comments thereon.

6. The Recipient shall carry out two (2) updates of the National Transport Strategic Plan, including a medium-term expenditure program, whose substance shall be satisfactory to the Association. The first such update shall be carried out no later than June 30, 2011, and the second update shall be carried out no later than June 30, 2013.
7. The Recipient shall, by no later than three (3) months after the Effective Date, engage external audit consultants and an internal audit consultant in adequate numbers for the purposes of building audit capacity, with appropriate experience and qualifications, and under terms of reference acceptable to the Association.

B. Anti-Corruption

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

C. Safeguards

1. In order to ensure the proper implementation of the Project in an environmentally and socially sound manner, the Recipient shall implement the Project in accordance with the SGDR including the ESOM, the RAPs, the EGDPs, the RPF, the EGDF, the Environmental Legislation and the provisions of this Agreement.
2. If at any time the Environmental Legislation is proposed to be modified, the Recipient shall, prior to such modification, inform the Association of, and consult with it on, such proposal; and if in the opinion of the Association the application of any such aspect of such proposal would result in adverse environmental impacts under the Project, the Recipient shall continue to carry out the Project in accordance with the provisions of the SGDR or such other environmental guidelines as shall have been determined by the Recipient and agreed to in writing by the Association.
3. When conducting any environmental impact assessment required under the Environmental Legislation for activities proposed for inclusion under the Project, the Recipient shall ensure that:
 - (a) the guidelines described in the ESOM, consistent with the Environmental Legislation, are applied so that the impacts of these activities on the environment are properly analyzed, including consideration for alternatives to any proposed activities to enable the Recipient to compare the feasibility of each alternative under local conditions;

- (b) mitigation measures or an EMP are prepared for the activities in accordance with the principles set out in the ESOM, as appropriate, including budget, institutional and human resources to be provided for such activities; and
 - (c) procedures for chance finds of cultural property are clearly outlined in the EMP.
4. The Recipient shall refrain from carrying out any Project activity that shall result in the involuntary resettlement or adverse impacts on livelihoods, as a consequence of the Project activities, of persons or communities residing in the Project areas and neighborhoods, all as defined in the RPF; provided that if such impact or resettlement would be unavoidable, the Recipient shall implement such activity only after it has consulted with potentially Displaced Persons in accordance with the provisions of the RPF, and prepared, adopted and implemented a resettlement action plan as appropriate in accordance with the RPF, all with the prior written approval of the Association.
 5. The Recipient shall, in the context of the reports referred to in Section IIA.1 of this Schedule, prepare and provide to the Association, for its review, reports on the application of the provisions of the SGDR and ESOM to Project activities, and shall thereafter carry out the recommendations of such reports, taking into account the Association's comments thereon, all with a view to complying with the SGDR, the ESOM, the RPF and the EGDF.
 6. Without limitation to the obligations set forth above, the Recipient shall, and shall cause DPWTs and OPWTs, in carrying out the activities under Part 1(b)(i) of the Project:
 - (a) at least sixty (60) days prior to the initiation of any works, publicly disseminate to the relevant local population the ESOM, the RPF and the EGDF, in form and substance acceptable to the Association; and
 - (b) prior to the start of any work under such Part of the Project, undertake the required environmental and social actions under this Agreement, and provide compensation, resettlement and rehabilitation entitlements to the Displaced Persons in accordance with the RAPs and RPF.

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 the indicators agreed with the Association. Each

Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty five (45) days 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 not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
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:

<u>Procurement Method</u>
(a) National Competitive Bidding in accordance with the Recipient’s Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, 03/PM dated January 9, 2004, and in the Implementing Rules and Regulations on Government Procurement of Goods, Works, Maintenance and Services dated March 12, 2004, subject to the procedures listed in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting for goods or works under Part 3(a) of the Project
(d) Force Account for works under Part 3(a) of the Project

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.

<u>Procurement Method</u>
(a) Selection Based on Consultants’ Qualifications
(b) Least-Cost Selection
(c) Single Source Selection
(d) Selection of Individual Consultants
(e) Sole Source Basis for the Selection of Individual Consultants
(f) Quality-based Selection

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:

<u>Category</u>	<u>Amount of the Grant allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Works		
(a) under Part 1(a) except for Part 1(a)(i) of the Project	7,900,000	70%
(b) under Part 1(b) except for Part 1(b)(ii) of the Project	1,950,000	25%
(c) under Part 3(a) of the Project	4,700,000	100%
(2) Consultants' services, goods and Incremental Operating Costs for Part 1, Parts 2 (a)(ii), 2(b) and 2(c)	2,700,000	100%

and Part 3 of the Project		
(3) Eligible Goods and Works under Part 3(b) of the Project	650,000	100%
TOTAL AMOUNT	17,900,000	

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, except that withdrawals up to an aggregate amount not to exceed one million nine hundred fifty thousand Special Drawing Rights (SDR 1,950,000) may be made for payments made prior to this date but on or after December 17, 2009, for Eligible Expenditures under Categories (1)(a), (1)(b) and (1)(c); and
 - (b) under Category (3) unless the Association has received evidence satisfactory to it, that a national and/or provincial state of emergency exists in the Recipient's territory as a result of a natural disaster which has been declared by a Recipient's decree and/or provincial Governor decision, as the case may be, in accordance with the Recipient's legislation.
2. The Closing Date is September 30, 2014.

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 than the bid price as well as the duration and summary scope of the contract awarded; and (f) contract variation orders. This publication shall be updated quarterly.
4. The eligibility of bidders shall be as defined under section 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.

SCHEDULE 3

Eligible Goods and Civil Works

1. Goods include, *inter alia*, construction materials, such as cement, steel, quarries, gravel, asphalt, pre-cast construction materials and sandbags.
2. Works include, *inter alia*, removing landslides, constructing temporary bypasses, filling collapsed sections, removing trees with diameter over 30 centimeters, and extending culverts.

APPENDIX**Section I. Definitions**

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Co-financier” means the Japan Policy and Human Resources Development Fund, referred to in paragraph 10 of the Appendix to the General Conditions.
4. “Co-financing” means an amount approximately equivalent to one million Dollars (\$1,000,000), to be provided by the Co-financier to assist in the financing of Parts 2(a)(i) and 2(d) of the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Association acting as administrator of the Co-financing.
6. “Compensation and Resettlement Decree” means the decree issued by the Recipient on July 7, 2005, including the regulation implementing such decree, which sets out principles, procedures and guidelines for carrying out compensation and resettlement process within the territory of the Recipient.
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. “Displaced Person” means a person, a group of persons or a community as referred to in the RPF, who, on account of the execution of the Project, experiences direct adverse 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, totally or partially; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the restriction to access to the natural resources of protected areas resulting in adverse impacts on the livelihood of a person, group of persons or communities, and Displaced persons means more than one Displaced Person.
9. “DPC” means the Department of Planning and Cooperation of the Recipient’s Ministry of Public Works and Transport, or any successor thereto, responsible for strategic planning, capacity building planning and monitoring related to the Project.

10. “DPWTs” means the Provincial Departments of Public Works and Transport or any successors thereto, and “DPWT” means any of the Provincial Departments of Public Works and Transport.
11. “Eligible Goods and Works” means all the eligible Goods and Works, listed in Schedule 3 of this Agreement, needed to ensure passability and safety of affected national and provincial roads when a national or provincial state of emergency has been declared in accordance with the terms set forth in Section IV.B.1(b) of Schedule 2 to this Agreement and in Schedule 3 to this Agreement.
12. “Environmental Assessment” and the acronym “EA” mean an environmental assessment, acceptable to the Association, prepared by the Recipient in accordance with the Recipient’s Environmental Legislation described in the SGDR and the ESOM, evaluating the environmental impact of Project activities and setting forth the mitigating, institutional, and monitoring measures for activities undertaken under the Project.
13. “Environmental Legislation” means the Recipient’s set of laws, decrees, regulations or ministerial decisions, including the forms to be used for the purpose of processing and documenting environmental assessment of the Project activities described in Annex B of the SGDR and the ESOM, including, but not limited to legislation, decrees and relevant implementing regulations applicable to environmental impact assessments, natural habitats and physical cultural resources, and all secondary legislation related thereto.
14. “EMP” means the Recipient’s Environmental Management Plan, dated February 2009, prepared as appropriate for Project activities in accordance with the SGDR, ESOM and the Environmental Legislation and referred to in Section C.3(b) of Schedule 2 to this Agreement.
15. “ESOM” means the Recipient’s Environmental and Social Operations Manual, dated November 28, 2009, attached to the SGDR and describing: (i) the overall legal and regulatory framework and guidelines for social and environmental impact assessment and mitigation measures applicable to the Project; (ii) the environmental analysis of the Project components; (iii) the EA processes applied by the MPTW including implementation of mitigation measures, (iv) environmental supervision and monitoring; (v) training and capacity strengthening; and (vi) budget allocation for addressing environmental and social impacts under the Project, all of which shall be applied to Project activities consistent with the Environmental Legislation and as the same may be amended from time to time with the prior concurrence of the Association.
16. “Ethnic Group Development Framework” and the acronym “EGDF” mean the Recipient’s Ethnic Group Development Framework acceptable to the Association, dated August 17, 2009, adopted by the Recipient, and giving details

of the rules, guidelines and procedures needed to: (a) involve Ethnic Minorities, through a process of informed consultation, in the design and implementation of the Project in locations in which such people reside or make their living; and (b) design and implement measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts of the Project, as such Ethnic Group Development Framework may be amended from time to time with the prior agreement of the Association.

17. “Ethnic Group Development Plans” and the acronym “EGDP” mean, collectively, the two (2) ethnic group development plans prepared by the Recipient for the Project, all dated August 17, 2009, which are acceptable to the Association and consistent with the Ethnic Group Development Framework, giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the Ethnic Group Development Framework, along with the procedural and institutional measures needed to implement such actions, measures and policies.
18. “Financial Management Manual” means the manual to be adopted by the Recipient, setting forth, *inter alia*, the financial management arrangements and procedures for the Project including the flow of funds, accounting policy and procedures, budgeting, recording, financial reporting, auditing and disbursement arrangements; as such manual may be amended from time to time by agreement between the Recipient and the Association.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
20. “Governor” means the Governor of a province of the Lao People’s Democratic Republic.
21. “Incremental Operating Costs” mean reasonable expenditures directly related to the Project incurred by the Recipient (which expenditures would not have been incurred absent the Project), including maintenance of vehicles, expenditures for Project staff travel and per diem, office supplies, communications services (including telephone and internet costs), publication services, translation services, and maintenance of office equipment, but excluding salaries of officials of the Recipient’s civil service.
22. “Indigenous Peoples” means the social groups that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.

23. “Japan Policy and Human Resources Development Fund” means the fund established in 1990 as a partnership between Japan and the World Bank for the purposes of financing technical assistance in respect of, *inter alia*, the formulation and implementation of World Bank-supported projects and programs.
24. “MPWT” means the Recipient’s Ministry of Public Works and Transport, or any successor thereto.
25. “National Road Safety Strategy and Action Plan” means the Recipient’s Strategic Plan for Transport Sector Development (2009-2015) prepared by the Ministry of Public Works and Transport in December 2008, including its subsequent updates as of the date of this Agreement.
26. “National Roads” means (i) the National Road 1B, from Pak Noy to Ban Yo, located in Phongsali Province; and (ii) the National Road 6A, from Sop Bao to Ban Dan, located in Houaphan Province.
27. “National Transport Strategic Plan” means the Recipient’s Strategic Plan for Transport Sector Development (2008-2015).
28. “OPWTs” means the Offices of Public Works and Transport at the district level, or any successors thereto, and “OPWT” means any of the Offices of Public Works and Transport.
29. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
30. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 8, 2010 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.
31. “Resettlement Action Plans” and “RAPs” mean, collectively, the two (2) Recipient’s action plans for the compensation, resettlement and rehabilitation of Displaced Persons, all dated August 17, 2009, acceptable to the Association, prepared pursuant to the RPF; as such plans may be amended from time to time with the prior written approval of the Association.
32. “Resettlement Policy Framework” and “RPF” mean the Recipient’s Resettlement Policy Framework, a policy framework for land acquisition, compensation, resettlement and rehabilitation of potentially Displaced Persons dated January 29, 2009, such RPF describing specifically: (a) Project description and design criteria to be applied to activities to be prepared and undertaken during Project

implementation and which may trigger involuntary resettlement; (b) principles and objectives governing resettlement preparation and implementation; (c) description of the process for preparing and approving resettlement plans; (d) eligibility criteria for defining the various categories of Displaced Persons; (e) applicable legal framework; (f) methods of valuing affected assets; (g) organizational procedures for delivery of entitlements and implementation processes; (h) mechanisms for consultations with, and participation of, Displaced Persons in planning and implementation; (i) monitoring arrangements; and (j) grievance redress mechanisms.

33. “Road Maintenance Fund Advisory Board” means the advisory board established by the Recipient pursuant to Decree No. 05/PM dated January 15, 2001, and referred to in Section I.A., paragraph 1 of Schedule 2 to this Agreement.
34. “RMF” means the Road Maintenance Fund established by the Recipient’s Decree No. 09/PM dated January 15, 2001, to finance road maintenance through road user charges.
35. “SGDR” means the Safeguard Diagnostic Review, including (a) a review of: (i) the Recipient’s Environmental Legislation, conducted by the Association in cooperation with the Recipient in order to determine the equivalency of such legislation with the Association’s relevant safeguard policies and guidelines, and (ii) the acceptability of the Recipient’s capacity and track record in implementing its Environmental Legislation; and (b) the definition of additional measures needed to ensure such equivalency; such review having been disclosed in Lao PDR on December 15, 2009 and on the World Bank InfoShop on December 16, 2009.
36. “Training and Workshop” means training conducted in the territory of the Recipient and abroad, including purchase and publication of materials, rental of facilities, courses fees, and travel, accommodation and subsistence of trainees.