

CONFORMED COPY

GRANT NUMBER H538-LA

Financing Agreement

(Rural Electrification Phase II Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 8, 2010



GRANT NUMBER H538-LA

FINANCING AGREEMENT

AGREEMENT dated February 8, 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 twelve million six hundred thousand Special Drawing Rights (SDR 12,600,000) ("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 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 and the Program. To this end, the Recipient shall carry out Part B of the Project through MEM and cause Part A of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 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 OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Implementing Entity's Charter has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement;
 - (b) The Project Implementing Entity has failed to perform any of its obligations under the Project Agreement;
 - (c) As a result of events which have occurred after the date of the Financing Agreement, an extraordinary situation has arisen which shall make it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement;
 - (d) Subject to sub-paragraph (e):
 - (i) the Recipient does not enter into a Co-financing Agreement with the Co-financier by March 31, 2010; or
 - (ii) the right of the Recipient to withdraw the proceeds of any grant made to the Recipient by the Co-financier for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor (Co-financing Agreement); and
 - (e) Sub-paragraph (d) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that:

- (i) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under such 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 Conditions of Effectiveness consist of the following:
 - (a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity;
 - (b) NORAD's written confirmation to the Recipient and the Association that all internal approvals have been obtained for NORAD to make available the Co-financing; and
 - (c) the REF Operational Manual has been adopted by the Recipient.
- 5.02. The Additional Legal Matters consist of the following: the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. 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

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/ Annette Dixon

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) increase access to electricity of rural households in villages of the Project Provinces; and (b) further improve the financial performance of EdL.

The Project constitutes the second phase of the Program, and consists of the following parts:

Part A: Electricité du Laos

1. Grid Extension

- (a) Install and commission medium voltage (MV) and low voltage (LV) transmission lines, transformers and house wiring to cover about twenty seven thousand seven hundred (27,700) households in the Project Provinces; and
- (b) provide technical advisory services to EdL in, *inter alia*: (i) Project implementation and supervision; and (ii) building capacity for economic and financial evaluation, Project management and procurement.

2. Loss Reduction

- (a) Enhance EdL's loss reduction efforts through the provision of goods to support, *inter alia*, the implementation of prioritized investment projects recommended by the Loss Reduction Master Plan; and
- (b) provide technical advisory services to EdL for non technical loss reduction activities.

3. Information Technology System and Financial Management

Provide technical advisory services to EdL to:

- (a) integrate EdL headquarters and branch offices in the Project Provinces for Part A by making the existing information technology system fully operational; and
- (b) strengthen its financial management capacity.

4. Safeguards Capacity Building

Provide equipment and training to EdL and its provincial branch offices to strengthen their capacity in environmental and social assessment and impact management.

5. Demand-side Management and Energy Efficiency Program

Provide to EdL:

- (a) financial resources to purchase goods including, *inter alia* computers, office equipment, testing instruments, and meters, needed to support the implementation of the actions as recommended in the Demand-side Management and Energy Efficiency Master Plan; and
- (b) technical advisory services to support the implementation of the said action plan.

Part B: MEM

1. Off-grid Investment Program

Provide electricity to about ten thousand (10,000) households in the Project Provinces for Part B by developing off-grid renewable energy technologies, including, *inter alia*, solar home systems and pico hydro.

2. Institutional Strengthening

Provide technical advisory services to MEM to support, *inter alia*:

- (a) the implementation of its comprehensive program of management outsourcing; and
- (b) the monitoring of the performance of the outsourced management and the Off Grid Investment Program, including provincial ESCOs and VEMs.

3. Alternative Rural Electrification Delivery Models

Provide technical advisory services to MEM to, *inter alia*:

- (a) promote alternative renewable energy development and develop associated delivery models and financing mechanisms; and

- (b) support small and medium enterprises in income generation linked to the use of the renewable energy.

4. Rural Electrification Master Plan and Database

Provide technical advisory services to MEM to, *inter alia*:

- (a) maintain MEM's rural electrification database; and
- (b) update the Rural Electrification Master Plan.

5. Organizational Strengthening of MEM

- (a) provide goods and Incremental Operating Costs to MEM to support the PMU in the implementation of Part B of the Project; and
- (b) provide technical advisory services to MEM to:
 - (i) support the PMU in the implementation of Part B of the Project; and
 - (ii) support the operation of REFS.

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

1. The Recipient shall, maintain until completion of Part B of the Project, a Project Management Unit within MEM, to be responsible for managing the implementation of Part B of the Project, including financial management, disbursement and procurement; said Project Management Unit to be under the direction of qualified managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a Project manager, an accounting officer and a procurement officer, all with qualifications and experience and under terms of reference acceptable to the Association.
2.
 - (a) The Recipient shall, through MEM, maintain a financial management system for the Project, acceptable to the Association, setting forth guidelines and procedures for financial management and control, record keeping, reporting and auditing, and programs of training therefor.
 - (b) The Recipient shall maintain within MEM, a computerized accounting system to support Project accounting activities, including the production of interim unaudited financial reports and annual financial statements, acceptable to the Association.
3. The Recipient shall implement the Project in accordance with the REF Operational Manual.
4. The Recipient shall, for the implementation of Part B.3.(a) of the Project, apply the REF subsidy mechanism in a manner consistent with the specifications set out in the REF Operations Manual and following the procedures laid out in the Village Off Grid Program Operations Manual.

B. Subsidiary Agreement

1. To facilitate the carrying out of Part A of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity through a grant and a loan which consists of the amounts of the financing drawn down for the purpose of Part A of the Project; for each withdrawal, an amount up to eighty percent (80%) will be provided as grant and an amount up to twenty percent (20%) will be provided as loan.

2. The grant and the loan will be made available through the Subsidiary Agreement under terms and conditions satisfactory to the Association.
3. The lending terms of the Subsidiary Agreement shall include:
 - (a) the amount of the grant and the principal amount of the loan shall be made available in United States Dollars (determined on the date, or respective dates, of withdrawal from the Financing Account) of the value of the currency or currencies so withdrawn;
 - (b) repayment of the proceeds of the loan over a period of twenty (20) years, inclusive of a grace period of five (5) years;
 - (c) payment of interest on the principal amount of the loan withdrawn and outstanding from time to time at the rate of four and one half percent (4½%) per year or any other rate which may be agreed to between the Recipient and the Project Implementation Entity and which is satisfactory to the Association; and
 - (d) payment of a commitment charge on the unwithdrawn balance of the Grant and of the Loan at the rate payable by the Recipient pursuant to Section 2.03 of this Agreement.
4. Other terms of the Subsidiary Agreement shall include the following:
 - (a) the Project Implementing Entity shall undertake to: (i) carry out Part A with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (ii) without limitation on the foregoing, take all measures necessary to ensure that Part A and related activities shall be implemented in accordance with the EdL's Environment and Social Safeguard Framework (ESSF);
 - (b) the Project Implementing Entity shall undertake to procure the goods, works and consultants' services to be financed out of the proceeds of the grant and the loan in accordance with the provisions of Section III of Schedule 2 to this Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out of Part A of the Project;
 - (c) the Project Implementing Entity shall undertake to enable the Recipient and the Association to inspect such goods and the sites and works

included in Part A of the Project, the operation thereof, and any relevant records and documents;

- (d) the Project Implementing Entity shall undertake to take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the grant and the loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable to replace or repair such goods;
- (e) the Project Implementing Entity shall undertake to:
 - (i) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition;
 - (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under Part A until at least the later of: (i) one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Financing Account was made; and (ii) two (2) years after the Closing Date;
 - (iii) enable the Recipient and the Association's representatives to examine such records;
 - (iv) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (v) 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 Part A covering the quarter, in form and substance satisfactory to the Association;
 - (vi) furnish to the Recipient and the Association as soon as available, but in any case not later than six (6) months after the end of each such year, certified copies of said financial statements and accounts for such year as so audited; an opinion on such

statements by said auditors in such scope and detail as the Recipient and the Association shall have reasonably requested; and all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient and the Association shall reasonably request; and

(vii) prepare and furnish to the Recipient and the Association all such other information concerning said records, accounts and financial statements, as well as the audit thereof, as the Recipient and the Association shall reasonably request.

(f) The Project Implementing Entity shall undertake to:

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

(ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Recipient and the Association for their review, consolidation in the Project Reports and submission to the Association, semi-annual reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (i) of this sub-paragraph (f) on the progress achieved in the carrying out of Part A during the period preceding the date of each such report; and

(g) the Recipient shall have the right to suspend or terminate the right of Project Implementing Entity to the use of the proceeds of the grant and the loan made available under the Subsidiary Agreement with said Project Implementing Entity upon failure by such Project Implementing Entity to perform its obligations under such agreement.

5. The Recipient shall exercise its rights under the Subsidiary 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 Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall:
 - (a) carry out, in a manner satisfactory to the Association, the MEM's Environment and Social Safeguard Framework (ESSF) in the implementation of its Respective Part of the Project, which includes a Resettlement Policy Framework and an Ethnic Groups Development Framework, designed to ensure that the Project is implemented in accordance with sound environmental and social practices and standards;
 - (b) cause the Project Implementing Entity to carry out in a manner satisfactory to the Association, the EdL's Environment and Social Safeguard Framework (EESFF) in the implementation of its Respective Part of the Project, which includes a Resettlement Policy Framework and an Ethnic Groups Development Framework, designed to ensure that the Project is implemented in accordance with sound environmental and social practices and standards;
 - (c) prepare, and cause to be prepared, environmental management plans, acceptable to the Association, as may be necessary in accordance with the requirements set forth in MEM's Environment and Social Safeguard Framework (ESSF) and EdL's Environment and Social Safeguard Framework (EESFF) respectively, and implement such plans in a manner satisfactory to the Association; and
 - (d) maintain, and cause to be maintained, policies and procedures adequate to enable it and the Project Implementing Entity to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of MEM's Environment and Social Safeguard Framework (ESSF) and EdL's Environment and Social Safeguard Framework (EESFF) respectively, or the environmental management plans referred to in sub-paragraph (c) of this paragraph, and the achievement of their respective objectives.
2. The Recipient shall:
 - (a) prepare, and cause to be prepared, safeguard requirements satisfactory to the Association which take into account the requirements of this Section I.D. to be included in bidding documents and contracts under the Project;
 - (b) monitor and cause to be monitored, contractor's performance of said safeguard requirements and report to the Association the results of such monitoring; and

- (c) keep and cause to keep, records on the contractor's performance of said safeguard requirements.
3. The Recipient shall:
- (a) take and cause to be taken all necessary actions 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;
 - (b) to this end, implement and/or cause to be implemented the Resettlement Policy Framework included in MEM's Environment and Social Safeguard Framework (ESSF) and EdL's Environment and Social Safeguard Framework (EESFF) respectively, in a manner satisfactory to the Association;
 - (c) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, provide and cause to provide, to the Association for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in said Resettlement Policy Framework and, thereafter, implement in a manner satisfactory to the Association, such resettlement action plans as shall have been approved by the Association; and
 - (d) maintain and cause to maintain, policies and procedures adequate to enable it and the Project Implementing Entity to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Resettlement Policy Framework and the resettlement action plans prepared pursuant thereto, and the achievement of their respective objectives.
4. The Recipient shall implement and/or cause to be implemented the Ethnic Groups Policy Framework included in MEM's Environment and Social Safeguard Framework (ESSF) and EdL's Environment and Social Safeguard Framework (EESFF) respectively, in a manner satisfactory to the Association, designed to provide meaningful consultation with, and the informed participation of, Ethnic Groups living within the Project Provinces, to ensure that benefits under the Project are socially and culturally acceptable to such groups, and to ensure and cause to be ensure that Project activities adequately address the needs, cultural practices and preferences of such community.

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.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than March 31, 2014.

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. Without limitation on the provisions of Part A of this Section, 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.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** 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 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

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) Quality Based Selection
(b) Selection Based on Consultants' Qualifications
(c) Single Source Selection
(d) Selection of Individual Consultants
(e) Sole Source Basis for the Selection of Individual Consultants

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 Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Goods under Parts A.1(a), A.2(a) and A.5(a) of the Project	9,945,000	100%
(2) Goods under Parts B.1(a) and B.5(a) of the Project	2,525,000	100%
(3) Incremental Operating Costs under Parts A.1.(a), A.2(a) and A.5(a) of the Project	65,000	100%
(4) Incremental Operating Costs under Part B.5(a) of the Project	65,000	100%
TOTAL	12,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is June 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.

APPENDIX**Section I. Definitions**

1. “Action Plan for Sustainability of the Power Sector” means the Recipient’s Action Plan for Sustainability of the Power Sector dated November 2005.
2. “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.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Co-financier” means, for the purpose of the General Conditions, NORAD.
5. “Co-financing” means an amount of four million Dollars, (\$4,000,000) to be provided by the Co-financier to assist in financing of the Project.
6. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
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. “Demand-side Management and Energy Efficiency Cell” means the cell established within EdL during the REPI.
9. “Demand-side Management and Energy Efficiency Master Plan” means the Recipient’s plan for 2008 to 2012, dated July 2009.
10. “Department of Electricity” means MEM’s Department of Electricity or any successor thereto.
11. “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.

12. “EdL” means *Electricité du Laos* a state-owned enterprise, established and operating pursuant to the Charter of *Electricité du Laos*, as such Charter was approved by the Ministry of Industry and Handicrafts and the Board of Directors of *Electricité du Laos* on December 29, 1997.
13. “EdL’s Environment and Social Safeguard Framework (EESSF)” means the Environment and Social Safeguard Framework, dated March 2009, adopted by EdL, giving details of a program of actions, measures and policies designed to maximize the benefits of its Respective Parts of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, and includes the Resettlement Policy Framework, and the Ethnic Groups Development Framework as such Environmental and Social Safeguard Framework may be amended from time to time with the prior agreement of the Association.
14. “ESCOs” means Electrification Service Companies currently under contract with MEM in the Project Provinces.
15. “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.
16. “Ethnic Groups Development Framework” means the Ethnic Groups Development Framework included in the EdL’s Environment and Social Safeguard Framework (EESSF) and in the MEM’s Environment and Social Safeguard Framework (ESSF) giving details of the strategy to be implemented or cause to be implemented by the Recipient and EdL in the carrying out of their Respective Part 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.
17. “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.

18. “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 expenditures for Project staff travel and per diem, office, supplies, communications services (including telephone and internet costs), publication services, translation services, maintenance of office equipment, and maintenance of vehicles, but excluding civil services salaries of officials of the Recipient’s civil service.
19. “KIP” means the official currency of Lao People’s Democratic Republic.
20. “Loss Reduction Master Plan” means the Power Distribution System Loss Reduction Phase II – Final Master Plan of EdL, dated December 18, 2008.
21. “MEM” means the Recipient’s Ministry of Energy and Mines or any successor thereto.
22. “MEM’s Environment and Social Safeguard Framework (ESSF)” means the Environment and Social Safeguard Framework, dated June 2009, adopted by the Recipient, giving details of a program of actions, measures and policies designed to maximize the benefits of its Respective Part of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, and includes the Resettlement Policy Framework and the Ethnic Groups Policy Framework; as said Environmental Management Framework may be amended from time to time with the prior agreement of the Association.
23. “NORAD” means the Norwegian Agency for Development Cooperation.
24. “Off Grid Investment Program” means the procurement, delivery, transportation, installation of solar home systems and/or pico-hydro equipment.
25. “PMU” means the Project Management Unit within MEM, established under the Rural Electrification Phase I Project and referred to in Section I.A.1 of Schedule 2 to this Agreement.
26. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
27. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 23, 2009 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.

28. “Project Implementing Entity” means *Electricité du Laos*.
29. “Project Implementing Entity’s Charter” means the Charter of *Electricité du Laos* approved by the Ministry of Industry and Handicrafts and the Board of Directors of *Electricité du Laos* on December 29, 1997.
30. “Project Provinces” means collectively the Project Provinces for Part A and the Project Provinces for Part B.
31. “Project Provinces for Part A” means the provinces of Bolikhamxay, Khammouane, Savannakhet, Salavan, Xekong, Champasak, and Attapeu.
32. “Project Provinces for Part B” means the provinces of Vientiane, Oudomxai, Luangnamtha, Champasak, Luangprabang, Xaignabouly, Xiengkhuang, Houaphan, Bolikhamxay, Khammouane, Savannakhet, Salavan, Xekong, Attapeu, Phongsaly, and Bokeo.
33. “Program” means the Recipient’s program designed to improve the living standards and increase the income of rural households by providing them access to electricity as described in the letter of program development dated June 15, 2005.
34. “REF” means the Rural Electrification Fund established in Lao PDR by the Prime Minister’s Decree number 238/PM dated August 11, 2005.
35. “REF Operations Manual” means the Rural Energy Fund Operations Manual dated May 2009.
36. “REFS” means the Rural Electrification Fund Secretariat referred to in Part B.5(b) of Schedule 1 to this Agreement.
37. “REP I” means the Project described in the Rural Electrification Phase I Development Grant Agreement entered into between the Recipient and the Association on June 2, 2006.
38. “Resettlement Policy Framework” means a framework giving details of 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 their Respective Part of the Project implementation activities; as said framework may be amended from time to time with the prior agreement of the Association.

39. “Respective Part of the Project” means: (a) in respect of EdL Part A; and (b) in respect of MEM, Part B of the Project.
40. “Rural Electrification Fund Operational Manual” means the manual prepared by the Department of Electricity of MEM, dated May 27, 2009.
41. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.
42. “VEMs” means Village Electricity Managers in the Project Provinces.
43. “Village Off Grid Program Operations Manual” means the set of operating procedures for off-grid program planning and implementation, dated November 2, 2007, as amended.