

CONFORMED COPY

GRANT NUMBER H243-LA

Financing Agreement

**(Avian and Human Influenza Control and
Preparedness Project)**

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 12, 2006

GRANT NUMBER H243-LA

FINANCING AGREEMENT

AGREEMENT dated September 12, 2006, 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 the Financing 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 two million seven hundred thousand Special Drawing Rights (SDR 2,700,000) ("Grant") 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 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 which is a part of the Association's Global Program for Avian Influenza

Control and Human Pandemic Preparedness and Response designed to help countries in prevention, containment, control and eradication of avian influenza. To this end, the Recipient shall carry out the Project through MAF, MOH, and NAHICO and in collaboration with other relevant ministries and stakeholders 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 OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consist of the following:
- (a) (i) Subject to sub-paragraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of any grant made to the Recipient by the Co-financiers for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreements providing therefor (Co-financing Agreements).
 - (ii) Sub-paragraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, or termination is not caused by the failure of the Recipient to perform any of its obligations under such Co-financing Agreements; and
 - (B) 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 annual work program for the first year of the Project has been prepared by the Recipient and approved by the Association;
 - (b) each of the Co-financing Agreements has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) has been fulfilled;
 - (c) the Recipient has established a financial management system for the Project, satisfactory to the Association;
 - (d) the Recipient has engaged consultants with qualifications and experience and under the terms of reference satisfactory to the Association for strengthening the financial management and procurement capacity of NAHICO and MAF; and
 - (e) the Recipient has adopted an Operations Manual, including a financial management manual and a procurement manual, in a manner and substance, satisfactory to the Association.
- 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 Schedule 2 to this Agreement 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
Post Office Box No. 46
Vientiane
Lao People’s Democratic Republic

Cable address:

MINFINANCE
VIENTIANE

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:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

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/ Chansy Phosikham

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ian Porter

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in implementing its National Avian Influenza Control and Pandemic Preparedness Plan (the National Plan), specifically to contribute to minimize the threat posed to humans and to the poultry sector by Highly Pathogenic Avian Influenza (HPAI) infection and other zoonoses in Laos, and to prepare for, control, and respond to influenza pandemics and other infectious disease emergencies in humans. The Project consists of the following parts:

Part A: Animal Health

1. Introducing bio-security measures and regulations in commercial poultry production, including: (a) provision of information materials and training to poultry producer associations on HPAI risk reduction measures; (b) establishment of regulations for poultry movement control; and (c) development of safe practices at slaughtering places.
2. Introducing and implementing concepts of quarantine and safe movement practices for fighting cocks through education and public awareness campaigns.
3. Enhancing the capacity of veterinary workers for early detection and early warning of HPAI outbreaks at the field level through the following activities: (a) provision of vehicles to veterinary field workers for immediate response to HPAI outbreaks; and (b) formulation of guidelines, procedures, and legal frameworks to regulate the operations of international border check points and internal interprovincial check points.
4. Strengthening the Recipient's capacity for laboratory diagnosis by completion of the National Animal Health Center.
5. Provision of technical assistance to undertake research on monitoring of national and international poultry movements for zoning or compartmentalization of infected and uninfected areas to facilitate inter-provincial trade.
6. Improving a national disease information system through provision of required communication equipment.

7. Enhancing the Recipient's capacity for rapid and effective response to HPAI outbreaks through the following activities: (a) facilitating effective field response by central, provincial, and district veterinary staff through provision of operational support; (b) developing regulations relating to compensation to owners of culled poultry and providing compensation to owners of culled poultry out of the proceeds of the Compensation Fund; and (c) rental of earth-moving equipment to facilitate burial for culled poultry.

8. Enhancing regional, national, and international networking and communication on HPAI related matters through supporting conferences, meetings, and field visits.

9. Strengthening the Recipient's veterinary capacity through supporting the undergraduate training of selected veterinary workers.

Part B: Human Health: Surveillance and Response

1. Provision of training to staff of NCLE on HPAI surveillance and response.

2. Improving the Recipient's influenza disease surveillance systems through provision of mobile phones and other operating support.

3. Strengthening the capacity of the Recipient's rapid response teams (RRTs) to investigate and respond to emerging influenza diseases through provision of vehicles to RRTs.

4. Implementation of HPAI outbreak response measures in the event of an HPAI outbreak, including travel restrictions and HPAI virus screening.

5. Implementation of HPAI outbreak response measures in the event that a pandemic is declared, including financing of Eligible Imported Goods.

6. Monitoring and evaluating the progress of the activities under this Part B of the Project.

Part C: Human Health: Curative Services

1. Improving the capacity of hospitals and health clinics to deliver curative services through the following activities: (a) provision of about five (5) ambulances and related operating support; (b) provision of technical assistance

to hospitals and health clinics to develop hospital waste management plans; (c) provision of required equipment, supplies and operating support to carry out said hospital waste management plans; and (d) training of hospital staff in hospital waste management.

2. Improving the Recipient's HPAI communications capacity through the establishment of information systems in about five (5) hospitals, and provision of training and operating support therefor.
3. Improving the Recipient's laboratory capacity through construction and/or upgrading of laboratory facilities.
4. Provision of operating support to staff international border and internal checkpoints in the event that an HPAI outbreak or pandemic is declared.
5. Monitoring and evaluating the progress of the activities under this Part C of the Project.

Part D: Information, Education, and Communication

Carrying out an information, education, and communication (IEC) program, including surveys on HPAI diseases.

Part E: Project Coordination, Project Management, and Regulatory Framework

1. Strengthening the capacity of NCCDC in the areas of: (a) developing pandemic preparedness plans; (b) undertaking desktop simulation exercises; (c) training in disaster management; (d) developing HPAI risk communications materials; and (e) Project monitoring and supervision.
2. Provision and management of a minimum stockpile of essential HPAI response supplies for implementation of the above-mentioned pandemic preparedness plans.
3. Reviewing existing regulatory framework related to HPAI pandemic preparedness, making recommendations thereon, building consensus to advocate for making the necessary changes to said regulatory framework, and drafting new regulations if needed.
4. Undertaking research on HPAI pandemic preparedness topics, and piloting innovative activities to reduce the risks of HPAI infection.

5. Strengthening the capacity of NAHICO in Project management in the areas of procurement, financial management, monitoring and evaluation, supervision, and coordination through provision of required equipment and operating support.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

Project Management

1. The Recipient shall maintain throughout implementation of the Project:
 - (a) NAHICO, assigned with such functions, membership, and responsibilities, satisfactory to the Association, to be responsible for: (i) the overall coordination, planning, financial management, monitoring and evaluation, and procurement activities under the Project, and (ii) the oversight of implementation of Parts D and E of the Project; and
 - (b) Department of Livestock and Fisheries of MAF, Department of Hygiene and Prevention, and Curative Department of MOH, each assigned with such functions, responsibilities and funds for the Project, satisfactory to the Association, and with competent staff in adequate numbers, to be responsible for implementation of its Respective Parts of the of the Project.

Project Implementation

2. The Recipient shall:
 - (a) adopt and thereafter implement the Operations Manual, acceptable to the Association, which shall include the description of: (i) Project implementation arrangements; (ii) a procurement manual consistent with Section III of this Schedule 2; (iii) a financial management manual consistent with paragraph B of Section II of this Schedule 2; (iv) monitoring and evaluation arrangements; (v) terms of reference for preparing annual work program and budgets; and (vi) the Environmental Management Plan and the Ethnic Group Planning Framework; and
 - (b) not amend, abrogate, suspend, or waive any provisions of said Operations Manual without the prior concurrence of the Association. In case of any conflict between the provisions of this Agreement and those of the Operations Manual, the provisions of this Agreement shall prevail.

3. The Recipient shall: (a) by January 31, 2007, adopt an Environmental Management Plan and an Ethnic Group Planning Framework, in a form and substance, satisfactory to the Association; and (b) thereafter carry out the Project in accordance with the Environmental Management Plan and the Ethnic Group Planning Framework, in a manner, satisfactory to the Association.

4. For carrying out Part A.7(b) of the Project, the Recipient shall: (a) adopt a Compensation Fund Manual, in form and substance, satisfactory to the Association, which includes, inter alia, the criteria, guidelines, and procedures for payments under the Compensation Fund; (b) immediately thereafter implement said part of the Project according to the provisions of the Compensation Fund Manual, in a manner satisfactory to the Association; and (c) not amend, abrogate, suspend, or waive any provisions of said Compensation Fund Manual without the prior concurrence of the Association. The Recipient shall ensure that each Compensation Fund payment is made in accordance with the criteria and procedures set forth in the Compensation Fund Manual.

5. For carrying out Part E.4 of the Project, the Recipient shall: (a) adopt a Pilot Research Manual, in form and substance, satisfactory to the Association, which includes the criteria, guidelines, and procedures for payments under the Pilot Research Fund; (b) immediately thereafter implement said part of the Project according to the provisions of the Pilot Research Manual, in a manner satisfactory to the Association; and (c) not amend, abrogate, suspend, or waive any provisions of said Pilot Research Manual without the prior concurrence of the Association.

6. During the implementation of the Project, the Recipient shall, through NAHICO, not later than September 30 of each year, starting September 30, 2007, submit to the Association an annual work program for the following calendar year, and thereafter carry out the Project according to the annual work program as shall have been approved by the Association.

Section II. Project Monitoring, Reporting, 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 set forth below in paragraph 2 of this Section. Each Project Report shall cover the period of one calendar quarter and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. The performance indicators referred to in paragraph 1 above consist of the following:

(a) 85% of provinces provide weekly surveillance reports to MOH, including influenza like illness, avian influenza, and severe acute respiratory syndrome;

(b) 85% of commercial poultry producers are trained about bio-security improvement;

(c) 85% of provinces have a multi-sectoral avian influenza team; and

(d) 85% of provinces have an avian influenza and pandemic preparedness plan.

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 as part of the Project Report not later than one (1) month after the end of each calendar quarter, interim un-audited 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 Schedule.

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 Schedule.

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 and National 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 and National Competitive Bidding. The procedures to be followed for National Competitive Bidding shall be those set forth in the Prime Minister Decree No.03/PM dated January 9, 2004, on "Government Procurement of Goods, Construction, Maintenance and Service" and its Implementing Rules and Regulations issued by the Ministry of Finance No.0063/MOF dated March 12, 2004.

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International and National 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)	Shopping
(b)	Direct Contracting
(c)	Procurement from UN Agencies.

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) Selection based on Consultant Qualifications
(b) Individual Consultants
(c) Least Cost Selection
(d) Single-source Selection

D. Review by the Bank of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

(a) the first contract for goods and services (other than consultants’ services) procured by each implementing agency, regardless of contract value, and all subsequent contracts for goods and services (other than consultants’ services) estimated to cost the equivalent of \$50,000 or more per contract;

(b) the first contract for civil works procured by each implementing agency, regardless of contract value; and all subsequent contracts for civil works estimated to cost the equivalent of \$100,000 or more per contract;

(c) all contracts for goods, works, and services (other than consultants’ services) procured through Direct Contracting, regardless of contract value;

(d) the first contract for consultants services provided by an individual and a consulting firm procured by each implementing agency, regardless of contract value; all subsequent contracts for consultants services provided by a consulting firm estimated to cost the equivalent of \$50,000 or more; and all subsequent contracts for consultants services provided by an individual estimated to cost the equivalent of \$25,000 or more; and

(e) all consulting services contracts procured based on Single-source Selection, regardless of contract value.

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 and this Section and such additional instructions as the Association may specify by notice to the Recipient, 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</u>
(1) Goods	760,000	67%
(2) Civil works	650,000	67%
(3) Consultants services under Parts B, C, and D of the Project	75,000	67%
(4) Training and workshops under Parts B, C, and D of the Project	80,000	67%
(5) Operating costs	800,000	67%

<u>Category</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed</u>
(6) Compensation Fund under Part A.7(b) of the Project	155,000	67%
(7) Eligible Imported Goods under Part B.5 of the Project	90,000	67%
(8) Pilot Research Fund under Part E.4 of the Project	<u>90,000</u>	67%
TOTAL AMOUNT	<u>2,700,000</u>	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for:

(a) payments made prior to the date of this Agreement;

(b) expenditures under Category (6) in the table in Part A.2 of Section IV of this Schedule 2, unless: (i) the Compensation Fund has been established in a manner satisfactory to the Association; and (ii) the Compensation Fund Manual, satisfactory to the Association, has been adopted by the Recipient;

(c) expenditures under Category (7) in the table in Part A.2 of Section IV of this Schedule 2 to this Agreement, unless: (i) a national emergency on avian influenza has been declared by the Recipient and a well-defined emergency recovery plan, satisfactory to the Association, has been adopted by the Recipient; and (ii) for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance or which the Association has financed or agreed to finance under another Grant or Credit; and

(d) expenditures under Category (8) in the table in Part A.2 of Section IV of this Schedule 2, unless the Pilot Research Manual, satisfactory to the Association, has been adopted by the Recipient.

2. The Closing Date is September 30, 2010.

C. For purposes of Section IV of this Schedule 2:

1. The term “Operating Costs” means the reasonable expenditures incurred by the Recipient in carrying out the Project, including the cost of travel and per diem, printing, printed materials, media spots for public awareness campaigns, office maintenance and rental, communication, office supplies, utilities, and operation and maintenance of equipment and vehicles; all of which expenditures would not have been incurred absent the Project, excluding the salaries of the Recipient’s civil servants.

2. The term “Eligible Imported Goods” means the following list of imports: (a) protective clothing and gear; (b) pharmaceuticals and vaccines; and (c) medical and veterinary supplies and equipment.

APPENDIX**Section I. Definitions**

1. “Categories” means the categories set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Co-financiers” means the Government of Japan who intends to provide financing to the Project; and the donor(s) who intends to provide grant funds to the Trust Fund established under the Avian and Human Influenza Facility to be administrated by the Association.
3. “Co-financing” means grant funds to be provided by the Co-financiers to assist in the financing of the Project.
4. “Co-financing Agreements” means the agreements to be entered into between the Recipient and the Association for co-financing of the Project.
5. “Compensation Fund” means the fund to be established by the Recipient out of the proceeds of the Grant to be utilized to pay cash compensation to poultry owners for poultry culled.
6. “Compensation Fund Manual” means the manual to be prepared and adopted by the Recipient setting forth criteria, guidelines and procedures for payment under the Compensation Fund and referred to in paragraph 4 of Section I of Schedule 2 to this Agreement; as said Manual may be amended from time to time with the prior agreement of the Association.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
8. “EMP” and “Environmental Management Plan” mean the environmental management plan to be adopted by the Recipient, and referred to in paragraph 3 of Section I of Schedule 2 to this Agreement, which sets forth measures to mitigate any adverse environmental impact that may result from the implementation of the Project, as said Plan may be amended from time to time with the prior agreement of the Association.

9. “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.
10. “Ethnic Group Planning Framework” means the Ethnic Group Planning Framework to be adopted by the Recipient and referred to in paragraph 3 of Section I of Schedule 2 to this Agreement, which sets forth the measures, satisfactory to the Association to ensure that the Project adequately addresses the needs and cultural preferences of Ethnic Group and that Ethnic Group participates in the benefit under the Project.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
12. “Pilot Research Manual” means the manual referred to in paragraph 5 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.
13. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 30, 2006 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.
15. “MAF” means the Recipient’s Ministry of Agriculture and Forestry, and any successor thereto.
16. “MOH” means the Recipient’s Ministry of Health, and any successor thereto.

17. “NAHICO” means the Recipient’s National Avian and Human Influenza Coordination Office, and any successor thereto.
18. “NCCDC” means the Recipient’s National Committee for Communicable Disease Control, and any successor thereto.
19. “NCLE” means the Recipient’s National Center for Laboratory and Epidemiology, and any successor thereto.
20. “Operations Manual” means the manual referred to in paragraph 2 of Section I of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.
21. “Respective Parts of the Project” means in respect of MAF, Part A of the Project; in respect of MOH, Parts B and C of the Project; in respect of NAHICO, Parts D and E of the Project, in collaboration with MAF, MOF, Ministry of Foreign Affairs, Ministry of Justice, and other relevant ministries and stakeholders.