

GLOBAL ENVIRONMENT TRUST FUND GRANT AGREEMENT

AGREEMENT, dated June 29, 1994, between LAO PEOPLE'S DEMOCRATIC REPUBLIC (the "Recipient") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT acting as Trustee (the "Trustee") of grant funds provided by Participants of the Global Environment Facility into the Global Environment Trust Fund (the "GET").

WHEREAS: (A) The International Bank for Reconstruction and Development (the "Bank") pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the "Resolution"), established the Global Environment Facility consisting of the GET, Co-financing Arrangements with the GET and the Ozone Projects Trust Fund, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

WHEREAS: (B) Certain members of the Bank (the "Participants") have provided resources by way of grant into the GET and the Participants have requested of the Bank, and the Bank has agreed, to administer such grant funds as Trustee, for the purposes of, and in accordance with, the provisions of the Resolution;

WHEREAS: (C) The Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GET in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution; and

WHEREAS: (D) The Trustee has agreed, on the basis, inter alia, of the foregoing, to extend the GET Grant to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the "General Conditions") constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04;
- (x) Article XI; and
- (xi) Sections 12.01 (c); 12.03, and 12.04.

(b) The General Conditions shall be modified as follows:

- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol

"SDRT1 mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

- (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Trustee except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;
- (iii) the term "Recipient", wherever used in the General Conditions, means the Recipient;
- (iv) the term "Loan Agreement", wherever used in the General conditions, means this Agreement;
- (v) the term "Loan" and "loan" wherever used in the General conditions, means the GET Grant; and
- (vi) the term "Loan Account" wherever used in the General Conditions, means the GET Grant Account.

Section 1.02. wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, the Recitals to this Agreement, and the Development Credit Agreement (as such term is defined hereinafter) have the respective meanings therein set forth, and the following terms have the following meanings:

(a) "Development Credit Agreement" means the agreement, of even date herewith, between the Recipient and the International Development Association in respect of the Forest Management and Conservation Project, as such agreement may be amended from time to time, and as such term includes all schedules and agreements supplemental to the Development Credit Agreement;

(b) "DOF" means the Department of Forestry of the MAF, and' the term DOF includes any successor thereto; and

(c) "GET Grant Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The GOT Grant

Section 2.01. The Trustee agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GET Grant in an amount in various currencies equivalent to three million seven hundred thousand Special Drawing Rights (SDR 3,700,000).

Section 2.02. (a) The amount of the GET Grant may be withdrawn from the GET Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Trustee shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the GET Grant.

(b) The Recipient shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the Banque pour le Commerce Extérieur on terms and conditions satisfactory to the Trustee including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the GET Grant Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 1999, or such later date as the Trustee shall establish. The Trustee shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. The Recipient declares its commitment to the ,objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall: (i)

carry out the Project through the National Office for Nature Conservation and watershed Management of the DOF with due diligence and efficiency and in conformity with appropriate administrative, agricultural, economic, engineering and financial practice, and with due regard to all ecological and environmental factors; and (ii) provide promptly as needed the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Trustee shall otherwise agree, procurement of the goods, works and consultants' services required for the Project, and to be financed out of the proceeds of the GET Grant, shall be governed by the provisions of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project (including, without limitation, its costs and the benefits to be derived therefrom) or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the GET Grant Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Trustee;
- (ii) furnish to the Trustee as soon as available, but in any case not later than nine (9) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Trustee shall have reasonably requested; and
- (iii) furnish to the Trustee such other information concerning said records and accounts and the audit thereof as the Trustee shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GET Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Trustee has received the audit report for the Fiscal Year in which the last withdrawal from the GET Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Trustee's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section, and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the, procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Trustee

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified, namely, that the Recipient shall have failed to perform any of its obligations under the Development Credit Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event set out in Section 5.01 of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) That the Recipient's Government has approved this Agreement; and

(b) That all conditions precedent to the effectiveness of the Development Credit Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 6.02 The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01 The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Minister of Finance
Ministry of Finance
P.O. Box 46
Vientiane
Lao People's Democratic Republic

Cable Address	Telex number
MINFINANCE (Vientiane)	4369 (MOF LS)

For the Trustee :

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable Address	Telex number
INTBAFRAD	197688 (TRT)
Washington, D.C.	248423 (RCA)
	64145 (WUI) or
	82987 (FTCC).

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By /s/ Hienn Phommachan

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Acting as Trustee of the
Global Environment Trust Fund

By /s/ Gaita, S. Kaji

Regional Vice President
East Asia and Pacific

Schedule 1

Withdrawal of the Proceeds of the GET Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	900,000	100%
(2) Goods (including vehicles) expenditures, of other	800,000	100% of foreign 100% of local expenditures (ex-factory cost) and 80% local expenditures for items procured locally
(3) Incremental operating incurred costs in respect of fuel and materials	150,000	100% of expenditures prior to September 30, 1997 and 50% thereafter
(4) Incremental operating incurred costs in respect of salaries and allowances	80,000	100% of expenditures prior to September 30, 1997 and 50% thereafter
(5) Training	370,000	100%
(6) Consultants' services	1,000,000	100%
(7) Unallocated	400,000	
TOTAL:	3,700,000	

2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) The term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; and

(c) The term "incremental operating costs" means payments made for expenditures on account of the operation and maintenance of the MAF's equipment including, inter alia, expenditures in respect of the purchase of materials, fuel, spare parts and forestry and parks personnel operating salaries and allowances.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient in protecting the biological diversity of its territory through human resource development and institutional strengthening, the designation, establishment and management of priority protected areas and protection of associated wildlife, and the planning and implementation of community participating programs in and around protected areas.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Trustee may agree upon from time to time to achieve such objectives:

1. Carrying out of a program, satisfactory to the Trustee, for establishing and managing at least four (4) of the specific protected forest areas referred to in the Recipient's Prime Ministerial Decree No. 164/PM dated October 29, 1993, through, inter alia, provision of civil works in respect of forestry personnel offices and housing, protected area infrastructure, small-scale agricultural and other rural infrastructure schemes; vehicles, fuel, equipment and materials; and support for operating personnel salaries and allowances.
2. Establishing environmental monitoring and evaluation mechanism covering the vital signs of environmental changes in the Recipient's forest resources.
3. Provision of technical assistance services to assist the Recipient in carrying out the protected areas program referred to in Paragraph 1 of this Schedule, including training of Project forestry personnel and forest communities in the implementation and management of said program.
4. Provision of technical assistance services to assist the Recipient in designing and establishing a forestry conservation trust fund.

The Project is expected to be completed by September 30, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the "Guidelines").
2. For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two (2) pre-disclosed correction factors acceptable to the Trustee, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.
3. In the procurement of goods and works in accordance with this Part A, the Recipient shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Trustee shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Recipient shall use bidding documents based on other internationally recognized standard forms agreed with the Trustee.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured within the Recipient's territory may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Local Competitive Bidding

1. Contracts for goods estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of five hundred thousand dollars (\$500,000), and contracts for civil works estimated to cost the equivalent of more than ten thousand dollars (\$10,000) per contract, up to an aggregate amount not to exceed the equivalent of four hundred thousand dollars (\$400,000), may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Trustee.
2. Contracts for civil works estimated to cost the equivalent of ten thousand dollars (\$10,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million dollars (\$1,000,000) may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Trustee.

Part D: Review by the Trustee of Procurement Decisions

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

(a) With respect to each contract for goods and each contract for works estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or more per contract, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Trustee pursuant to said paragraph 2 (d) shall be furnished to the Trustee prior to the making of the first payment out of the Special Account in respect of such contract.

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

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Grant Account are to be made on the basis of statements of expenditure.

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

Section II. Employment of Consultants

1. In order to assist the Recipient in carrying out the Project, Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Trustee. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Trustee on the basis of the "Guidelines for the Use of Consultants by World Bank Recipients and by the World Bank as Executing Agency" published by the Bank in August 1981 (the "Consultant Guidelines").
2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior review by the Trustee, or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than the equivalent of twenty thousand dollars (\$20,000) per contract. However, this exception to prior review by the Trustee shall not apply to the terms of reference for such contracts nor to the employment of individuals, to single source selection of firms., to assignments of a critical nature as reasonably determined by the Trustee and to amendments of contracts raising the contract value to the equivalent of thirty thousand dollars (\$30,000) or more per contract.
3. For complex, time-based assignments, the Recipient shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Trustee. Where no relevant standard contract documents have been issued by the Bank, the Recipient shall use other standard forms agreed with the Trustee.

SCHEDULE 4

GET Grant Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1), (2), (3), (4), (5), and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) The term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GET Grant allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) The term "Authorized Allocation" means an amount equivalent to four hundred thousand dollars (\$400,000) to be withdrawn from the GET Grant Account and deposited into the GET Grant Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the GET Grant Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Trustee has received evidence satisfactory to it that the GET Grant Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Trustee a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Trustee shall, on behalf, of the Recipient, withdraw from the GET Grant Account and deposit in the GET Grant Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Trustee requests for deposits into the GET Grant Special Account at such intervals as the Trustee shall specify.

(ii) Prior to, or at the time of each such request, the Recipient shall furnish to the Trustee the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Trustee shall, on behalf of the Recipient, withdraw from the GET Grant Account and deposit into the GET Grant Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the GET Grant Special Account for Eligible Expenditures. All such deposits shall be withdrawn by the Trustee from the GET Grant Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the GET Grant Special Account, the Recipient shall, at such time as the Trustee shall reasonably request, furnish to the Trustee such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Trustee shall not be required to make further deposits into the GET Grant Special Account:

(a) If, at any time, the Trustee shall have determined that all further withdrawals should be made by the Recipient directly from the GET Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) Once the total unwithdrawn amount of the GET Grant allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Trustee pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GET Grant Account of the remaining unwithdrawn amount of the GET Grant allocated to the Eligible Categories shall follow such procedures as the Trustee shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Trustee shall have been satisfied that all such amounts remaining on deposit in the GET Grant Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures

6. (a) If the Trustee shall have determined at any time that any payment out of the GET Grant Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Trustee, the Recipient shall, promptly upon notice from the Trustee: (A) provide such additional evidence as the Trustee may request; or (B) deposit into the GET Grant Special Account (or, if the Trustee shall so request, refund to the Trustee) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Trustee shall otherwise agree, no further deposit by the Trustee into the GET Grant Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Trustee shall have determined at any time that any amount outstanding in the GET Grant Special Account will not be required to cover further payments for Eligible Expenditures, the Recipient shall, promptly upon notice from the Trustee, refund to the Trustee such outstanding amount.

(c) The Recipient may, upon notice to the Trustee, refund to the Trustee all or any portion of the funds on deposit in the GET Grant Special Account.

(d) Refunds to the Trustee, made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be granted to the GET Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

