

Public Disclosure Authorized

CONFORMED COPY

**AMENDMENT
ORIGINAL CREDIT NUMBER 3886-LA
ORIGINAL GRANT NUMBER H0840-LA
ADDITIONAL FINANCING GRANT NUMBER H541-LA**

Financing Agreement

**(Amending and Restating Development Financing Agreement and Providing
Additional Financing for the Second Education Development Project)**

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 8, 2010

Public Disclosure Authorized

**AMENDMENT
ORIGINAL CREDIT NUMBER 3886-LA
ORINGINAL GRANT NUMBER H0840-LA
ADDITIONAL FINANCING GRANT NUMBER H541-LA**

FINANCING AGREEMENT

AGREEMENT, dated February 8, 2010, entered into between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS: (A) under an agreement dated July 8, 2004 between the Recipient and the Association ("Development Financing Agreement"), the Association agreed to provide the Recipient with (i) an amount in various currencies equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000) (the "Original Credit") and (ii) an amount in various currency equivalent to five million six hundred thousand Special Drawing Rights (SDR 5,600,000) (the "Original Grant") (collectively, the "Original Financing") on the terms and conditions set forth or referred to in the Development Financing Agreement;

(B) the Recipient has requested the Association to provide further additional financial assistance in the support of the Project by increasing the amount of the Grant made available under the Development Financing Agreement by an amount in various currencies equivalent to nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000) (the "Additional Grant"); and

(C) the Association has agreed, on the basis, inter alia, of the foregoing, to provide such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree to amend and restate the Development Financing Agreement to read 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 otherwise requires, 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

The Financing

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the following amounts to assist in financing the Project described in Schedule 1 to this Agreement (“Project”):
- (a) an Original Credit in amount in various currencies equivalent to three million nine hundred thousand Special Drawing Rights (SDR 3,900,000);
 - (b) an Original Grant in amount in various currencies equivalent five million six hundred thousand Special Drawing Rights (SDR 5,600,000); and
 - (c) an Additional Grant in amount in various currencies equivalent to nine million seven hundred thousand Special Drawing Rights (SDR 9,700,000)
- 2.02. The Recipient may withdraw the proceeds of each of the Original Credit, the Original Grant, and the Additional Grant in accordance with Section IV of Schedule 2 to this Agreement. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister of Finance.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance of the Original Credit, the Original Grant and the Additional Grant shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance of the Original Credit shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Original Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Education 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 consists of the following: the Recipient, or any other authority having jurisdiction, shall have taken any action to abrogate, revise, amend, repeal, suspend or waive the Recipient's Letter of Education Policy.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following: the Recipient has adopted:
- (a) an updated Project Implementation Manual;
 - (b) an updated Financial Management Manual; and
 - (c) an updated Operations Manual for Community-Based Contracting;
- all 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 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 its Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
23 Singha Road
Nongbone Village
Saysettha District
Vientiane, Lao PDR

Facsimile: 856-21-412142

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Vientiane, Lao People's Democratic Republic, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By: /S/ Viengthong Siphandone

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /S/Annette Dixon

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to achieve universal completion of primary education by implementing the education policies and reform actions set forth in its Letter of Education Policy, including increasing access to, and the completion of, primary school in the Project Provinces, improving the quality of education, and building the policy development and management capacity of its Ministry of Education.

The Project consists of the following parts:

Part A: Increase Access and Completion of Primary School

1. Carrying out of a community-based contracting program for school construction at the village level in the Project Districts, including the provision of Construction Subproject Grants.
2. Carrying out of a Community Grant program to support increased enrollment and improve the learning conditions in schools in selected villages, including the provision of Community Grants.
3. Carrying out of a teacher upgrading program by providing training to teachers in the use of new text books and teacher guides, and an in-service teacher training program for multi-grade teaching in selected villages, including the provision of teacher training, technical advisory services, equipment, goods, and vehicles therefor.

Part B: Improve the Quality of Education

1. Carrying out of a program of evaluating, revising, publishing and distributing primary textbooks and teachers' guides, including the provision of capacity building study visits, printing services, equipment and technical advisory services therefor.
2. Strengthening the capacity of the Research Institute for Educational Sciences to establish a National Assessment System to monitor educational standards and basic competencies, including the provision of staff training and workshops, equipment, printing services, vehicles, and technical advisory services therefor.

Part C: Strengthen Policy and Strategy Development Capacities

1. Carrying out of a program to strengthen the capacity of the Ministry of Education to implement a short- and medium-term policy agenda, and mainstream policy and strategy analyses, including *inter alia*:

- (a) strengthening the Strategic Research and Education Analysis Center and the Education Statistics and Information Technology Center and work programs therefor;
- (b) carrying out of studies and assessments on, *inter alia*, education costs and financing, the measures and activities carried out under the Ethnic Group Development Plan, student grade repetition issues, project impacts under Part A of the Project, and available educational options to meet the needs of the market economy;
- (c) strengthening the capacities of the Recipient in the implementation of the Education Sector Development Framework; and
- (d) strengthening the capacities of the Recipient in the preparation of a sector wide approach in education.

2. Improving the system of collecting, analyzing, reporting, filing, storing and archiving of education statistics and information, including, *inter alia*, the development of (a) a Geographic Information System; and (b) an integrated Educational Management Information System.

3. Strengthening the capacity of the Recipient to manage and administer the delivery of: (a) Project accounts and maintenance of financial management systems; and (b) interdisciplinary educational research at the National University of Lao PDR.

4. Supporting Project management in the carrying out of the Project, including the auditing of Project accounts and maintenance of financial management systems, including the provision of staff training, vehicles, furniture and equipment, printing services, and technical advisory services therefor.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall:

(a) maintain, until completion of the Project, the Project Advisory Council, chaired by the Vice Minister of the Ministry of Education and consisting of, *inter alia*, senior representatives of the Ministry of Education, Ministry of Planning and Investment, Ministry of Finance, the Ethnic Committee of the National Assembly, the Governor of each of the Project Provinces, the director of the Provincial Education Services of each of the Project Provinces, the Lao Front for National Construction, and the Institute for Linguistic Research, for the purpose of providing overall coordination and oversight of implementation of the Project and assigned with qualified staff in adequate numbers, including the secretariat support of the Project Management Team, in a manner and substance satisfactory to the Association;

(b) maintain the Project Steering Committee, chaired by the Vice Minister of Education, and consisting of:

(i) the Directors of all the departments within the Ministry of Education; and

(ii) representatives from the Ministry of Planning and Investment and the Ministry of Finance for the purpose of providing inter-ministerial coordination of Project activities;

assigned with qualified staff in adequate numbers and provided with sufficient funds, facilities and resources, all in a manner and substance satisfactory to the Association; and

(c) maintain, until completion of the Project, a Project Working Group, consisting of a representative from each of the Implementing Units, chaired by the deputy director general of the Department of Planning and Cooperation, for the purpose of coordinating and supporting Project activities, provided with sufficient resources and assigned with qualified

staff in adequate numbers, in a manner and substance satisfactory to the Association.

2. The Recipient shall:

- (a) implement and maintain until completion of the Project:
 - (i) a Project Implementation Manual, satisfactory to the Association, that includes, inter alia: (i) Project implementation arrangements; (ii) the procurement procedures set forth in Section III of this Schedule 2 and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section II of this Schedule; (iv) the project performance indicators, consistent with the provisions set forth in Annex B to this Schedule 2; and (v) procedures for the monitoring and reporting of the progress of the Project;
 - (ii) a Financial Management Manual, satisfactory to the Association, that sets forth the day-to-day financial management measures and procedures to be undertaken by the Recipient in the carrying out of the Project, consistent with the provisions set forth in Section II of this Schedule; and
 - (iii) in respect of Part A.1 of the Project, an Operational Manual for Community-Based Contracting, satisfactory to the Association, for the purposes of setting forth, inter alia, the principles of the Project, implementing entities' responsibilities, program staffing and program cycles, quality control, procurement arrangements consistent with Section III of this Schedule, monitoring and evaluation processes, flow of funds, the Land Acquisition Process Framework, Environmental Guidelines and the Ethnic Group Development Plan;
- (b) carry out the Project in accordance with the relevant provisions of the manuals referred to in paragraph (a), in a manner and substance satisfactory to the Association, and shall not amend, revise, delete, suspend, abrogate, or waive such manuals, or any part or parts thereof, without the prior approval of the Association;
- (c) maintain: (i) a Project manager to be responsible for the day-to-day management of the Project; (ii) an Implementing Unit and Implementing Unit head within each of the Ministry of Education's departments,

centers, institutes and the NUOL; and (iii) a Provincial Implementing Unit in each of the Houaphanh, Phongsaly, Oudomxay, Louangnamtha Xekong and Attapeu Provinces and a District Implementing Unit in each corresponding Project Districts, provided with sufficient resources and assigned with qualified staff in adequate numbers, in a manner and substance satisfactory to the Association;

- (d) provide such other requisite resources as shall be satisfactory to the Association;
- (e) take all measures necessary to enable said Project Manager, Implementing Unit, Implementing Unit heads, Provincial Implementing Unit and District Implementing Unit to carry out their respective activities under the Project in a manner and substance satisfactory to the Association;
- (f) maintain the services of independent auditors throughout the period of Project implementation, satisfactory to the Association, to assist the Recipient in carrying out its obligations set forth in Section II of this Schedule;
- (g) maintain district engineers in each Project District whose qualifications and experience shall be acceptable to the Association;
- (h) maintain, until completion of the Project a computerized financial management system in the department of finance in the Ministry of Education, and train the accounting staffs of the Ministry of Education in the Project Provinces and the Project Districts in the preparation of financial monthly reports; all in a manner and substance satisfactory to the Association; and
- (i) carry out its procurement activities in accordance with, *inter alia*, procurement bidding documents acceptable to the Association, in a manner and substance satisfactory to the Association.

3. The Recipient shall:

- (a) by September 30 of each calendar year, commencing on September 30, 2005, prepare, under terms of reference satisfactory to the Association, and submit to the Association for its review and comments, a draft annual operational plan, which plan shall include, *inter alia*, a three (3)

year rolling implementation and financing plan, and thereafter finalize such plan, taking into account the Association's comments thereon; and

- (b) within thirty (30) days of effectiveness of the Project, submit an operational plan for the period covering from the Effective Date of this Agreement to September 30, 2010.

Increase Access and Completion of Primary School

4. The Recipient shall maintain, under terms of reference satisfactory to the Association, in each Project Province, its Provincial Education Services, provided with sufficient resources and competent and adequate staff in sufficient numbers, including qualified and experienced District engineers for the purpose of providing Project management support in the relevant Project Province.

5. The Recipient shall carry out Part A.1 of the Project:

- (a) only in those Project Provinces and relevant Project Districts that appoint and thereafter maintain: (i) Implementing Units consistent with Section I. A. 2(c)(iii) of this Schedule 2; and (ii) District engineers consistent with Section I. A. 2(h) of this Schedule 2; and
- (b) in accordance with the Operational Manual for Community-Based Contracting.

6. The Recipient shall carry out Part A.2 of the Project:

- (a) only in those Project Provinces and relevant Project Districts that appoint and thereafter maintain Implementing Units consistent with Section I.A 2(c)(iii), of this Schedule 2; and
- (b) in accordance with the provisions set forth in the Project Implementation Manual.

7. In the carrying out of Part A.3 of the Project, the Recipient shall conduct, under terms of reference satisfactory to the Association an in-service teacher training program for multi-grade teaching, in form and substance satisfactory to the Association.

Improve the Quality of Education

8. In carrying out Part B.1 of the Project, the Recipient shall, through its Ministry of Education, maintain, under terms of reference satisfactory to the Association, a Research Institute for Educational Sciences, provided with qualified and competent staff in adequate numbers and provided with adequate resources for the purpose of developing education curricula and instructional materials at the primary- and secondary school-levels.

9. In carrying out Part B.2 of the Project, the Recipient shall:

- (a) maintain, under terms of reference satisfactory to the Association, a Division of Evaluation within the Research Institute for Educational Sciences, provided with qualified and competent staff in adequate numbers and with adequate resources, for the purpose of carrying out specialized student assessment activities; and
- (b) administer the sample-based survey on student learning outcomes dated March, 2006, taking into account the Association's comments thereon, in a manner and substance satisfactory to the Association.

Strengthen Policy and Strategy Development

10. The Recipient shall maintain, under terms of reference satisfactory to the Association, within the Ministry of Education, a Strategic Research and Education Analysis Center and an Education Statistics Information and Technology Center, each provided with adequate and competent staff and sufficient resources, for the purpose of strengthening the capacity of the Ministry of Education to formulate its policy agenda and conduct relevant policy and strategy analyses.

11. The Recipient shall maintain a department of education administration and management within the Faculty of Education of the NUOL, headed by a qualified and competent director, and provide it with adequate and competent staff and resources, satisfactory to the Association, for the purpose of developing in-country capacity for the delivery of education and training in the area of education administration and management.

12. The Recipient shall maintain a bachelor of arts program in education administration and management within the department of education administration and management within the Faculty of Education of the National University of Laos, satisfactory to the Association.

Other Covenants

13. The Recipient shall, through the Ministry of Education, take all such action as shall be necessary to:

- (a) remit salary payments to primary school teachers in accordance with the Prime Minister's Notification No 10/PM dated June 27, 2003; and
- (b) provide schools participating in school construction activities under Part A.1 of the Project, with adequate staff and resources, including a qualified teacher for every class in each participating school.

14. In the carrying out of the Project, the Recipient shall:

- (a) take all such actions as shall be necessary to apply and cause to be applied:
 - (i) the Environmental Guidelines;
 - (ii) the Land Acquisition Process Framework; and
 - (iii) the Ethnic Group Development Plan; and
- (b) not amend, revise, delete, abrogate, suspend, or waive any of such guidelines, framework or plan or any provision thereof, without the prior consent of the Association.

15. The Recipient shall ensure that each Participating Village carrying out its respective Construction Subproject or Community Subproject:

- (a) shall declare its commitment to the objectives of the Project as set forth in Schedule 1 to this Agreement and to this end, carry out its Construction Subproject and Community Subproject under Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, and sound social and environmental standards acceptable to the Association and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for such Construction Subproject and Community Subproject;
- (b) shall procure the goods, works and consultants' services required for its Construction Subproject and Community Subproject and to be financed out of the proceeds of the Original Credit, Original Grant or the

Additional Grant, as the case may be, in accordance with the applicable provisions of Section III of this Schedule;

- (c) shall use the goods and services financed out of the proceeds of the Original Credit, Original Grant or the Additional Grant, as the case may be, exclusively for the purposes of its Construction Subproject and Community Subproject, consistent with the provisions of this Agreement;
- (d) shall allow the Recipient and the Association to inspect, from time to time, the goods, works and services under its Construction Subproject and Community Subproject, including all records and documents relating thereto;
- (e) promptly informs the Recipient of any condition which interferes or threatens to interfere with the progress of the carrying out of its Construction Subproject and Community Subproject and ensures that appropriate corrective measures are taken;
- (f) from time to time, at the request of either the Recipient or the Association, exchanges views with the Recipient and the Association regarding progress achieved in carrying out its Construction Subproject and Community Subproject; and
- (g) furnishes to the Association all such information and documents related to its Construction Subproject and Community Subproject as may reasonably be requested, including such information and documents as may be required by the Recipient to fulfill its supervision, monitoring, and reporting obligations to the Association in accordance with the provisions of this Agreement.

B. Anti-Corruption

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

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 set forth in Annex B to this Schedule 2. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. 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 forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section; provided that goods and works for which the procurement process was initiated prior to December 5, 2009, may be procured in accordance with the requirements set forth or referred to in Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Association in January 1999.
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, provided that

consultants' services for which the procurement process was initiated prior to December 5, 2009 may be procured in accordance with the requirements set forth or referred to in Section I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in May 2002.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

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 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 C to this Schedule 2
(b) Shopping
(c) Community Participation

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) Single Source Selection
(b) 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 Original Credit, the Original Grant and the Additional Grant 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 Original Credit, the Original Grant and the Additional Grant ("Category"), the allocations of the amounts of the Original Credit, the Original Grant and the Additional Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Original Grant Allocated (expressed in SDR)	Amount of the Original Credit Allocated (expressed in SDR)	Amount of the Additional Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Works under Part B of the Project		95,000		100%

<p>(2) Goods:</p> <p>(a) under Parts A and C.1 of the Project, excluding goods under Construction Subproject Grants and Community Subproject Grants</p> <p>(b) under Parts B, C.2, C.3 and C.4 of the Project, excluding goods under Community Subproject Grants</p> <p>(c) under Parts A and C of the Project</p>	<p>180,000</p>	<p>1,770,000</p>	<p>320,000</p>	<p>100%</p>
<p>(3) Consultants' Services:</p> <p>(a) under Parts A and C.1 of the Project, excluding services under Construction Subproject Grants and Community Subproject Grants</p> <p>(b) under Parts B, C.2, C.3, and C.4 of the Project</p> <p>(c) Consultant Services under Parts A and C of the Project</p>	<p>1,000,000</p>	<p>710,000</p>	<p>1,470,000</p>	<p>100%</p>
<p>(4) Grants:</p> <p>(a) Construction Subproject Grants under Part A.1 of the Project</p>	<p>2,800,000</p>			

<p>(b) Community Subproject Grants under Part A.2 of the Project</p> <p>(c) Construction Subproject Grants and Community Subproject Grants under Parts A.1 and A.2 of the Project</p>	<p>200,000</p>		<p>4,900,000</p>	<p>100%</p>
<p>(5) Incremental Operating Costs:</p> <p>(a) under Parts A and C.1 of the Project, excluding incremental operating costs under Construction Subproject Grants and Community Subproject Grants</p> <p>(b) under Parts B, C.2, C.3 and C.4 of the Project</p> <p>(c) under Parts A and C of the Project</p>	<p>400,000</p>	<p>340,000</p>	<p>1,030,000</p>	<p>100%</p>
<p>(6) Training and Workshops</p> <p>(a) under Parts A and C.1 of the Project, excluding training and workshops under Construction Subproject Grants</p>	<p>900,000</p>			

(b) under Parts B, C.2, C.3 and C.4 of the Project		760,000		
(c) under Parts A and C of the Project			1,130,000	100%
(7) Refunding of Project Preparation Advance		103,264		
(8) Unallocated	120,000	121,736	850,000	100%
Total	5,600,000	3,900,000	9,700,000	

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 August 31, 2013.

**ANNEX A
to
SCHEDULE 2**

Project Provinces and Project Districts

1. Phongsaly Province

Districts: Samphanh; Gnot ou

2. Louangnamtha Province

Districts: Long; Viengphoukha; Nalae

3. Oudomxay Province

Districts: Namor; Nga; Beng; Houne; Pakbeng

4. Houaphanh Province

Districts: Xiengkhor; Viengthong; Viengxay; Huameung; Xamtay

5. Attapeu Province

Districts: Sanxay; Phouvong

6. Xekong Province

Districts: Dakcheung; Khaleum

**ANNEX B
to**

SCHEDULE 2

Performance Indicators

(A) Performance Indicators for disbursements out of the proceeds of the Original Credit and the Original Grant (collectively, the Original Financing)

CREDIT/ GRANT*		Baseline	Mid-Term	Project Completion	Source of Data
			Outcome Indicators		
X	Lower construction costs		cost per sq meter benchmarked against other projects	cost per sq meter benchmarked against other projects	
X	Increased enrolment in target districts	72,700 enrolled	85,000 enrolled with breakdown by ethnic group and gender	95,000 enrolled with breakdown by ethnic group and gender	Ministry of Education annual statistics and indicators
		Net Enrollment Ratio (NER) 50%	NER 60%	NER 70%	LECS (Lao Expenditure and Consumption Survey) III survey data analysis
X	Increased primary completion rates in target districts	50% completion rate	60% completion rate with breakdown by ethnic group and gender	70% completion rate with breakdown by ethnic group and gender	Ministry of Education annual statistics and indicators
X	Reduced repetition in grade 1 and 2 in target districts	40% repetition in grade 1 and 2	30% with breakdown by ethnic group	20% with breakdown by ethnic group	Ministry of Education annual statistics
X	Reduced gap in net enrolment rates between target districts and national average	50:80	60:83	70:85	Ministry of Education annual statistics Household surveys
X	Reduce national	Not yet available	LECS III Survey data

* "X" references indicators pertaining to the Grant components; where there is no "X" indicated, reference is to the Credit components.

	enrolment gap between poor and non-poor households				2003
X	Contract teachers upgraded to qualified status in project villages	NA	360, including ethnic/language breakdown	540, including ethnic/language breakdown	Project reports Ministry of Education annual statistics
X	All teachers in project schools trained in multigrade methods	NA	200 (excluding contract teachers)	540	Ministry of Education Statistics Project reports
	Student:textbook ratio at 1:1 in rural areas	5:1	1:1 in grades 1&2	1:1 in grades 1-5	Ministry of Education Annual Statistics Project/Textbook Monitoring reports
	Improved learning outcomes in rural and ethnic minority areas	N/A	Achievement data baseline established, including breakdown by ethnic group, gender	Second Round results including breakdown by ethnic minority and gender	Assessment of Student Learning Outcomes results
	Policies and strategies increasingly made on the basis of information	NA	Financing, repetition and language of instruction studies completed, strategies developed	Policy proposal on language of instruction discussed	Published policy studies Ministry of Education Strategy papers
	Increased education expenditure	10% of total government expenditure	15% (by 2005)	15%	
	Increased recurrent capital expenditure	40:60	55:45	70:30	
	Increased expenditure on primary education	44% of total education expenditure	50% (by 2005)	50%	
	Output Indicators				
X	Incomplete dilapidated primary schools replaced to accommodate 5	NA	200 schools (400 classrooms)	400 schools (800 classrooms)	Project monitoring data Ministry of Education annual statistics District project reports

X	grades CBC (Community- Based Contracting) Grants distributed equitably	NA	% schools in ethnic minority villages % off the road	% schools in ethnic minority villages % off the road	Annual Assessments CBC monitoring reports Annual evaluation of CBC procedures
	Community Grants (CG) awarded to CBC villages annually	NA	300 villages 500 grants cumulative	400 villages 1,469 grants cumulative	Project reports Financial reports
X	Cost of education to parents decreased	Project surveys
X	Each class has a qualified teacher in project schools Textbooks evaluated for ethnic inclusion & revised Outside expertise utilized for book evaluation & revision Primary textbooks & teachers' guides procured & delivered to schools Policy Analysis Division established & fully operational Program on Education Administration & Management established Increased participation of experts in ethnic minority affairs	NA NA NA NA Policy Division staffed by 2005 Steering and project committees include representatives of Government agencies responsible for ethnic	100% of classes with qualified teacher Books for grades 1 - 3 For Grades 1, 2, 3 1.24 million textbooks and 90,000 teacher guides for gr. 1 & 2 Lecturers are trained First class of (30) BA students begins by September 2006 Representation continued	100% of classes with qualified teachers Books for grades 4 , 5 For grades 4,5 2.24 million primary textbooks, 196,600 teacher guides, for all grades and subjects First year of second class Representation continued	Evaluation report Project reports Project monitoring reports Ministry of Education statistics Mid-term special assessment Monitoring report Decree establishing the division Project reports Project supervision reports Project reports Project supervision

minority affairs (Lao Front, Linguistics Research Institute, National Assembly) in discussions pertaining to EGDP and ethnic minorities

Monitoring and Evaluation

	GIS established and producing reports by district	GIS initiated in two provinces	GIS expanded to all Provinces		Project monitoring reports Supervision reports
X	Participatory beneficiary assessment		Agreement on indicators and conduct assessment	Final beneficiary assessment	Beneficiary assessment
X	Evaluation of transparency and equity of CBC and CG procedures	Evaluation conducted each year until year 3	Evaluation conducted and procedures revised accordingly		Annual evaluations
X	Complaints mechanism effective		# of complaints, % resolved, time to resolution	# of complaints, % resolved, time to resolution	Annual evaluation of CBC and CG procedures and processes

Village Empowerment and Support Indicators

X	Village development committees established (VDC)		200	400	Project and supervision reports
X	Village committees include representation of all ethnic groups and women	NA	100% of VDCs	100% of VDCs	Annual evaluation of CBC process and procedures
X	VDCs meet on a regular basis	NA	twice a month	twice a month	Annual evaluation of CBC process Project supervision reports
X	Villages participating in CBC receive support visits from district engineer	NA	at least 4 days/month	at least 4 days/month	Project reports Beneficiary Assessment

NA means not applicable

... means the future value cannot be predicted

(B) Performance Indicators for disbursements out of the proceeds of the Additional Grant

Outcome Indicators CORE IDA Tier 1 Indicators	Baseline (2009)	Target Values		
		YR1 (2010)	YR2 (2011)	YR3 (2012)
1. Primary completion rate (MDG1) for entire country	64%	68%	72%	76%
2. Gender Parity Index (MDG2) for entire country	0.88	0.92	0.94	0.96
3. System for Learning Assessment (IDA Rating Scale)	2	2	3	3
Core IDA Tier 2 Indicators				
4. Increased number of classrooms built and rehabilitated under the project as a percentage of total number of required classrooms at Primary level	55%	67%	90%	100%
5. Increased number of teachers received training in multi-grade teaching as a percentage of the total number of Primary teachers in the targeted districts and schools	25%	25%	47%	47%
Other Indicators				
7. Communities Receive School Grants	443	395	395	270
8. Educational Management Information System Strengthened	EMIS Database Generated	Statistics Yearbook Published	Statistics Yearbook Published	Statistics Yearbook Published

ANNEX C
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 May 2004 and revised in October 2006; accordingly, a firm or individual previously declared ineligible by the Association based on determination by the Association that this firm or individual has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices shall be declared ineligible to be awarded a contract financed by Association.
5. The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Recipient, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, an Association-financed contract.

SCHEDULE 3
Repayment Schedule
Original Credit

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing June 15, 2014 to and including December 15, 2023	1%
commencing June 15, 2024 to and including December 15, 2043	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “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.
4. “Community Grant” means a grant in LAK made or to be made available by the Recipient through the relevant Village Development Committee out of the proceeds of the Grant to a Participating Village to finance, in part, the carrying out of the corresponding Community Subproject under Part A.2 of the Project in accordance with, inter alia, the relevant provisions of the Project Implementation Manual, and the term “Community Grants” means, collectively, more than one Community Grant.
5. “Community Subproject” means a community subproject carried out or to be carried out by a Participating Village under Part A.2 of the Project, using the proceeds of a Community Grant in accordance with the relevant provisions of the Project Implementation Manual.
6. “Construction Subproject” means a construction subproject carried out or to be carried out by a Participating Village under Part A.1 of the Project, using the proceeds of a Construction Subproject Grant in accordance with the provisions of the Operational Manual for Community-Based Contracting and the relevant Construction Subproject Grant Agreement.
7. “Construction Subproject Grant” means a grant in LAK made or to be made available by the Recipient through the relevant Provincial Education Services office out of the proceeds of the Grant to a Participating Village to finance, in part, the carrying out of the corresponding Construction Subproject under Part A.1 of the Project in accordance with the provisions of the relevant Construction Subproject Grant Agreement, and the term “Construction Subproject Grants” means, collectively, more than one Construction Subproject Grant.
8. “Construction Subproject Grant Agreement” means the agreement to be entered into between the relevant Provincial Education Services office and a Participating Village for purposes of providing a Construction Subproject Grant and the carrying out of a

Construction Subproject by a Participating Village under Part A.1 of the Project, pursuant to, inter alia, the provisions of the Operational Manual for Community-Based Contracting, and the term “Construction Subproject Grant Agreements” means collectively, all said Construction Subproject Grant Agreements.

9. “Department of Planning and Cooperation” means the Department of Planning and Cooperation maintained in the Ministry of Education for the purpose of education sector policy development, planning, maintaining and disseminating statistics, and coordinating external assistance, or any successor or successors thereto.
10. “Displaced Person” means a person who, on account of the execution of Part A.1 or A.2 of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
11. “District Education Bureau” means the District Education Bureau established by the Recipient and maintained in each of the Project Districts, or any successor or successors thereto.
12. “District Implementing Unit” means the unit to be established by the Recipient in each of the Project Districts in accordance with Section I. A.2(c)(iii) of Schedule 2 to this Agreement.
13. “Environmental Guidelines” means the guidelines adopted by the Recipient on July 10, 2003 and included in the Operational Manual for Community-Based Contracting, which Guidelines set forth measures to mitigate any adverse environmental impact that may result from the implementation of the Project, as said Guidelines may be amended from time to time with the prior agreement of the Association.
14. “Education Sector Development Framework” means the education sector plan adopted by the Ministry of Education on April 4, 2009.
15. “Education Statistics and Information Technology Center” means the center for management of educational information at the Ministry of Education or any successor thereto.
16. “Ethnic Group Development Plan” means the plan, adopted on July 10, 2003, maintained and implemented by the Recipient, providing procedures, rules, and guidelines for: (i) the informed involvement of the Recipient’s ethnic groups, through a process of informed consultation, in the design and implementation of the Project in locations in which such people reside or which they use for their livelihood; and (ii) designing and implementing

measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts, under the Project, as such plan may be amended from time to time with the prior agreement of the Association.

17. “Ethnic Committee of the National Assembly” means the committee of the National Assembly dealing with ethnic affairs or any successor thereto.
18. “Financial Management Manual” means the manual adopted and maintained by the Recipient, satisfactory to the Association, in accordance with the provisions set forth in Section I. A. 2(a)(ii) of Schedule 2 to this Agreement, that sets forth the day-to-day financial management measures and procedures to be undertaken by the Recipient in the carrying out of the Project, as said Manual may be amended from time to time with the prior agreement of the Association.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
20. “Incremental Operating Costs” means reasonable expenditures incurred by the Recipient for Project management and monitoring, which expenditures would not have been incurred without the Project, including expenditures for Project staff travel, lodging, and per diem, office supplies, utilities, office rent, email internet fees, maintenance of office equipment, and operation and maintenance of vehicles, but excluding staff salaries or salary supplements and allowances.
21. “Implementing Unit” means a unit established and maintained by the Recipient at the central level in each of the Recipient’s Ministry of Education’s departments of finance, teacher training, planning and cooperation, non-formal education, department of primary and pre-primary education, Strategic Research and Education Analysis Center, Education Statistics and Information Technology Center, and the NUOL, for the purpose of providing and coordinating the input of each respective entity into the implementation of the Project, and in accordance with the provisions of Section I.A.2(b) of Schedule 2 to this Agreement.
22. “Institute for Linguistic Research” means the independent research institute for linguistic research under the Ministry of Information and Culture or any successor thereto.
23. “LAK” means Kip, the currency of the Recipient.
24. “Land Acquisition Process Framework” means the framework adopted on July 10, 2003 by the Recipient, satisfactory to the Association and set out in the Operational Manual for Community-Based Contracting, for the compensation, rehabilitation and resettlement assistance of Displaced Persons; as such framework may be amended from time to time with the prior concurrence of the Association.

25. “Lao Front for National Construction” means the Lao Front for National Construction of Lao People’s Democratic Republic or any successor thereto.
26. “Letter of Education Policy” means letter from the Ministry of Education to the Association dated December 1, 2009 specifying the Recipients educational policy priorities and objectives to be attained with financing from the Association.
27. “Ministry of Information and Culture” means the Recipient’s Ministry of Information and Culture or any successor thereto.
28. “Ministry of Education” means the Recipient’s Ministry of Education, or any successor or successors thereto.
29. “Ministry of Finance” means Recipient’s Ministry of Finance or any successor thereto.
30. “Ministry of Planning and Investment” means the Recipient’s Ministry of Planning and Investment, or any successor thereto.
31. “NUOL” means the Recipient’s National University of Lao PDR established under the Prime Minister’s decree No. 50/PM dated June 9, 1995.
32. “Operational Manual for Community-Based Contracting” means the manual, adopted, maintained and implemented by the Recipient, satisfactory to the Association, for the purposes set forth in Section I.A.2(a)(iii) of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association.
33. “Participating Village” means a Participating Village within a Project District that:
(i) receives a Construction Subproject Grant and carries out or will carry out a Construction Subproject under Part A.1 of the Project in accordance with the provisions of the relevant Construction Subproject Grant Agreement and Operational Manual for Community-Based Contracting; or (ii) receives a Community Grant and carries out or will carry out a Community Subproject under Part A.2 of the Project in accordance with the relevant provisions of the Project Implementation Manual.
34. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
35. “Procurement Plan” means the Recipient’s procurement plan for the Project dated June 7, 2005 as updated on December 5, 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.
36. “Project Advisory Council” means the Project Advisory Council established and maintained in the Ministry of Education in accordance with the provisions of Section I.A. 1(a) of Schedule 2 to this Agreement.

37. “Project Districts” means those districts of the Recipient listed in Annex A to Schedule 2 to this Agreement, as said Annex may be amended from time to time with the prior concurrence of the Association, and a “Project District” means any of said Project Districts.
38. “Project Implementation Manual” means the Recipient’s manual, adopted, implemented and maintained by the Recipient, satisfactory to the Association, for the purposes set forth in Section I.A.2(a)(i) of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior concurrence of the Association.
39. “Project Provinces” means those provinces and municipalities of the Recipient listed in the Annex A to Schedule 2 to this Agreement, as said Annex may be amended from time to time with the prior concurrence of the Association, and a “Project Province” means any of said Project Provinces.
40. “Project Steering Committee” means the Project Steering Committee established within the Ministry of Education and maintained for the purposes set forth and in accordance with the provisions set forth in Section I.A.1(b) of Schedule 2 to this Agreement.
41. “Project Working Group” means the Recipient’s Project Working Group established and maintained in accordance with the provisions of Section I.A.1(c) of Schedule 2 to this Agreement.
42. “Provincial Education Services” means the Provincial Education Services established by the Recipient and maintained in each of the Project Provinces in accordance with Section I.A.4 of Schedule 2 to this Agreement, and any successor or successors thereto.
43. “Provincial Implementing Unit” means the unit established or to be established by the Recipient in each of the Project Provinces in accordance with the provisions set forth in Section I.A.2(e), as the case may be, of Schedule 2 to this Agreement.
44. “Research Institute for Educational Sciences” means the Research Institute for Educational Sciences established by the Recipient and maintained in the Ministry of Education for the purpose of developing education curricula and instructional materials at the primary and secondary school-levels, in accordance with the provisions of Section I.9(a) of Schedule 2 to this Agreement, or any successor or successors thereto.
45. “Strategic Research and Education Analysis Center” means the centre for strategic research and educational policy analysis of the Ministry of Education or any successor thereto.
46. “Vice Minister of Education” means the Vice-Minister of the Ministry of Education or any successor thereto.

47. “Village Development Committee” means the administrative unit established by the Recipient at the village level and referred to in the Operational Manual for Community-Based Construction and the Project Implementation Manual.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”