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Acting Country Director, South East Asia  
(Brunei, Cambodia, Lao PDR, Malaysia, Myanmar, Thailand)  
East Asia and Pacific Region

May 19, 2017

H.E. Mr. Somdy Douangdy  
Deputy Prime Minister and Minister of Finance  
Ministry of Finance  
23<sup>rd</sup> Singha Road  
Saysetha District  
Vientiane, Lao PDR

Re: Lao People's Democratic Republic: Advance Agreement for Preparation  
of Proposed Lao Agriculture Commercialization Project  
Preparation Advance No. V094

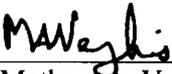
Excellency:

In response to the request for financial assistance made on behalf of Lao People's Democratic Republic ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed one million Dollars (\$1,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to increase agricultural commercialization of selected value chains in the project areas ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

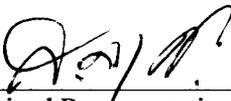
The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours,  
**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By   
Mathew A. Verghis

AGREED:  
**LAO PEOPLE'S DEMOCRATIC REPUBLIC**

By   
Authorized Representative

Name **Somdy DOUANGDY**

Title Deputy Prime Minister, Minister of Finance

Date: **05 JUN 2017**

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, together with "Disbursement Guidelines for Investment Project Financing", dated February 2017.

## ANNEX

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement (including the cover letter to this Agreement and this Section) as follows:

- (a) “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 and revised in January 2011.
- (b) “MAF” means the Recipient’s Ministry of Agriculture and Forestry, or any successor thereto.
- (c) “Operating Costs” means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of the Activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), website maintenance, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, meeting expenses, travel, subsistence and lodging expenses, and other costs directly related to the Activities, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.
- (d) “Procurement Plan” means the Recipient’s procurement plan for the Activities, dated May 13, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
- (e) “Procurement Regulations” means the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, dated July 1, 2016.
- (f) “Standard Conditions” means “Standard Conditions for Advances made by the World Bank under its Project Preparation Facility”, dated July 31, 2010.
- (g) “Training and Workshops” means the reasonable costs of goods and services required for the participation of personnel involved in training and workshops under the Activities, including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training, workshop, preparation and implementation, but excluding fees of consultants.

**Article II**  
**Execution of the Activities**

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

- (a) Provision of technical and operational assistance for carrying out Project preparation and appraisal activities, including collection of information and data, preparation, translation, and disclosure of an environmental and social management framework and other relevant environmental and social safeguards documents, and carrying out of consultations on environmental and social safeguards relevant to the Project.
- (b) Establishment of MAF's Project management unit, and provision of technical and operational assistance to strengthen its capacity to prepare and implement the Project, including its capacity for Project coordination, procurement, financial management, social and environmental safeguards, monitoring and evaluation, and reporting.
- (c) Preparation of an operations manual for the Project, including the description of the Project components, implementation arrangements, results framework, monitoring and evaluation arrangements, procurement, financial management, and environmental and social safeguards monitoring arrangements.
- (d) Preparation of the Project Procurement Plan for the first eighteen (18) months of the Project implementation period.
- (e) Carrying out of Project stakeholder consultation workshops, pre-identification of agribusinesses for public-private partnerships to be supported under the Project, and identification of farmer organizations and cooperatives for inclusion in the Project activities.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through its Ministry of Agriculture and Forestry, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.

2.03. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of the Recipient's fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

#### 2.05. *Procurement.*

All goods, non-consulting services and consulting services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the Procurement Plan provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

### **Article III Withdrawal of the Advance**

3.01. *Eligible Expenditures.* The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, non-consulting services, consulting services, Training and Workshops and Operating Costs, inclusive of Taxes.

3.02. *Withdrawal Conditions.* Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$100,000 equivalent may be made for payments made prior to this date but on or after November 1, 2016, for Eligible Expenditures.

3.03. *Refinancing Date.* The Refinancing Date is May 30, 2018.

### **Article IV Terms of the Advance**

4.01. *Service Charge.* The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid

in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) *Refinancing under the Refinancing Agreement:* If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

#### **Article V Recipient's Representative; Addresses**

5.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its Minister of Finance.

5.02. ***Recipient's Address.*** The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Ministry of Finance  
23<sup>rd</sup> Singha Road  
Saysettha District  
Vientiane, Lao PDR

Facsimile:

856-21-412142

5.03. ***World Bank's Address.*** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Facsimile:

(1)-202-477-6391