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FPCR TRUST FUND GRANT NUMBER TF095274

Food Price Crisis Response Trust Fund Grant Agreement

(Community Nutrition Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as trustee of the Food Price Crisis Response Trust Fund)

Dated October 3, 2009

FPCR TRUST FUND GRANT NUMBER TF095274

**FOOD PRICE CRISIS RESPONSE
GRANT AGREEMENT**

AGREEMENT dated October 3, 2009, entered into between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as trustee of the Food Price Crisis Response Trust Fund for purposes of financing activities related to the Community Nutrition Project ("Project").

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 ("Standard Conditions"), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions and this Agreement.

**Article II
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the Project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through MOH in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to two

million Unites States Dollars (\$2,000,000) (“Grant”) to assist in financing the Project.

- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV
Recipient’s Representative; Addresses**

- 4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

- 4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
23 Singha Road
P.O. Box: 46
Vientiane, Lao PDR

Facsimile: 856-21-412142

- 4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions 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) or 64145 (MCI)	1-202-477-6391

AGREED at Vientiane, Lao PDR, as of the day and year first above written.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By /s/ Viengthong Siphandone

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
(acting as trustee of the Food Price Crisis Response Trust Fund)

By /s/ Annette Dixon

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to improve the coverage of essential maternal and child health services and improve mother and child caring practices among pregnant and lactating women and children less than two (2) years old in Project Provinces.

The Project consists of the following parts:

Part 1: Stimulating Demand for Key Maternal and Child Health Services

Provision of CCT Sub-Grants to Project Districts for delivering CCTs to Beneficiaries in order to stimulate the use of Key Maternal and Child Health Services at Selected Health Facilities.

Part 2: Stimulating Behavior Change and Mobilize Mutual Support to Improve Nutrition

Carrying out Community-based Health and Nutrition Programs in selected communities to stimulate behavior changes and demand for Key Maternal and Child Health Services.

Part 3: Project Support and Management

Provision of technical assistance and other operational support to the Recipient in the technical design and implementation of the Project.

SCHEDULE 2**Project Execution****Section I. Institutional and Other Arrangements****A. Project Implementation**

1. The Recipient shall maintain, within MOH and until completion of the Project, an appropriately qualified and experienced Project manager satisfactory to the World Bank, provided with adequate resources and competent staff in sufficient numbers, including: (a) one financial management specialist; and (b) one procurement specialist, all with qualifications and under terms of reference acceptable to the World Bank.
2. The Recipient shall:
 - (a) within three (3) months of signing this Agreement, adopt a Project Operational Manual satisfactory to the World Bank, and implement said manual thereafter. The Project Operational Manual acceptable to the World Bank, shall include:
 - (i) financial management arrangements incorporating policy and procedures, acceptable to the World Bank, regarding accounting, reporting and internal control and audit mechanism and procedures;
 - (ii) guidelines for CCT operations, including criteria and procedures for the provision of CCT Sub-Grants, such as the criteria for eligibility, the criteria to determine the amount of CCT Sub-Grants, reporting and verification procedures, procedures to monitor and provide oversight support to ensure that effective complaints and accountability mechanisms are in place, provisions that require that CCT Sub-Grants be made in accordance with an Annual CCT Implementation Plan, acceptable to the World Bank, and prohibit expenditures under CCT Sub-Grants that are intended or used for a military or paramilitary purpose, related to the manufacture or use of environmentally hazardous goods (including asbestos and pesticides), arms or non-medical drugs, or finance government salaries; and that said implementation agreements: (A) provide financing justifications; (B) identify funding amounts; and (C) state expected outputs and outcomes;

- (iii) criteria for selection of Selected Project Districts and Selected Health Facilities, including specifications for developing a system for registering Beneficiaries and recording use of services within each Selected Health Facility;
 - (iv) criteria and procedures for the signature of memoranda of understanding, to be signed between the Project Provinces and the Selected Project Districts;
 - (v) criteria for selection of communities where Community-based Health and Nutrition Programs will be carried out;
 - (vi) criteria for selection of the communities to participate in the Community-based Health and Nutrition Programs proposed for financing; criteria for selection of female local facilitators who will convene the Community-based Health and Nutrition Programs; and
 - (vii) procurement procedures as set forth in Section III of this Schedule and the Procurement Plan; and
- (b) not amend, abrogate or waive any provision of said Project Operational Manual without prior concurrence of the World Bank.
3. The Recipient shall appoint, three (3) months after signing this Agreement, the following consultants satisfactory to the World Bank, assigned to the Department of Hygiene and Prevention to assist the Recipient in maintaining provincial-level financial management records and documentation:
- (a) a procurement specialist;
 - (b) a short-term consultant, with terms of reference and qualifications satisfactory to the World Bank, to assist with the design of appropriate operating and financial management procedures for the CCTs;
 - (c) a non-governmental organization or research institution with working experience in designing and implementing community-based health and nutrition programs, with terms of reference and qualifications satisfactory to the World Bank, to support the Recipient to: (i) design the Community-based Health and Nutrition Program; and (ii) develop implementation arrangements;
 - (d) consultants, with terms of reference and qualifications satisfactory to the World Bank, as needed, to support financial management and implementation activities under the Project;

- (e) appoint a qualified accounting firm, under terms of reference acceptable to the World Bank, to carry out internal audits and provide financial management support at the district and provincial levels; and
 - (f) modify the current accounting software and processing system to capture financial transactions and report transactions of the Financing.
4. The Recipient shall ensure that the Community-based Health and Nutrition Programs carried out under the Project are carried out by local female facilitators trained by the Lao Women's Union and ensure that funds are available for activities agreed in workplans between the MOH and Lao Women's Union and satisfactory to the World Bank.
5. The Recipient shall:
- (a) adopt and disclose, within three (3) months of signing this Agreement, a EGDF, satisfactory to the World Bank; and
 - (b) ensure that no CCT Sub-Grants be provided to members of Ethnic Groups before the EGDF is adopted.
6. The Recipient shall in carrying out the Project:
- (a) avoid, or cause to avoid, adverse effects on Ethnic Communities caused or likely to be caused by the Project;
 - (b) apply, or cause to be applied, the EGDF in a manner and substance satisfactory to the World Bank;
 - (c) ensure or cause to ensure, through a process of informed participation, that the benefits received by the Ethnic Communities under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights;
 - (d) not amend, suspend, abrogate, appeal or waive the EGDF, or any provision therein, without the prior agreement of the World Bank; and
 - (e) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the World Bank, the implementation of the EGDF, and the achievement of its objectives.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the "Guidelines on Preventing and Combating Fraud and

Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
 - (i) percentage increase of pregnant women with two (2) or more antenatal care consultations with a trained health professional;
 - (ii) percentage increase of pregnant women who delivered in health facility;
 - (iii) percentage increase of children between six (6) and fifty-nine (59) months of age who received vitamin A supplement during the last year;
 - (iv) percentage increase of children under one (1) year of age immunized with DPT3;
 - (v) percentage increase of children under two (2) years of age who attended a well-baby consultation in the last year;
 - (vi) percentage increase of women and children less than five (5) years of age who received iron supplements in the last year;
 - (vii) percentage decrease of women who practice post-partum food restrictions;
 - (viii) percentage increase of infants under five (5) months of age who are fed exclusively with breast milk;
 - (ix) percentage increase of children between six (6) and twenty three (23) months of age who receive foods from four (4) or more food groups;
 - (x) percentage increase of women or caregivers with appropriate hand washing behavior; and

- (xi) percentage decrease of children under five (5) years of age with diarrhea in the two (2) weeks preceding the survey (diarrhea is defined as more than three (3) loose stools in twenty four (24) hours).
- 2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

- 1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
- 2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
- 3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard 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 period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

- 1. **Consultant Guidelines.** All services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
 - (a) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and
 - (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Consultant Guidelines.

B. 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality Based Selection; (B) Least Cost Selection; (C) Selection Based on Consultants' Qualifications; (D) Single-Source Selection; and (E) Selection of Individual Consultants.

C. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may, subject to the provisions of Section 3.03. of this Agreement, withdraw the proceeds of the Grant 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 "World Bank Disbursement Guidelines for Projects" dated May 2006, 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.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) CCT Sub-Grants	1,200,000	100%
(2) Consultants' Services	350,000	100%
(3) Incremental Operating Costs managed by the Lao Women's Union	300,000	100%
(4) Incremental Operating Costs of MOH	150,000	100%
TOTAL AMOUNT	2,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement; and
 - (b) under Category (1) unless and until the Recipient has (i) adopted the Project Operations Manual referred to in Section I.A.2(a) of this Schedule acceptable to the World Bank, and (b) done the actions referred to in Section I.A.5 of this Schedule.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is September 30, 2012.

APPENDIX

Section I. Definitions

1. “Annual CCT Implementation Plan” means a plan indicating the Project provinces, the Selected Project Districts and the Selected Health Facilities where the CCTs are provided, including planned disbursement of CCT Sub-Grants and all the requirements of the Project operation Manual.
2. “Beneficiaries” means pregnant women and women with young children under two (2) years old who are located in the Project Provinces and will be the recipients of the CCTs.
3. “Community-based Health and Nutrition Programs” means programs to stimulate behavior change through monthly women’s group meetings focused on pregnancy risks, preparation and plan for delivery, good practice infant and child care, and other matters related to maternal and child health.
4. “CCT Sub-Grant” means a sub-grant in Dollars made or to be made by the Recipient out of the proceeds of the Grant to the Selected Project Districts for the financing of CCTs, in accordance with the provisions of the relevant District Plan Implementation Agreement and the Project Implementation Manual; and the term “District Sub-Grants” means, collectively, more than one District Sub-Grant.
5. “Conditional Cash Transfer” or the acronym “CCT” means a determined amount of money as described in the guidelines for CCT operations to be provided to Beneficiaries who use Key Maternal and Child Health Services at Selected Health Facilities; and the term “CCTs” means, collectively, more than one conditional cash transfer.
6. “District Plan Implementation Agreement” means the agreement entered into between a Selected Project District, the corresponding Project Province, and MOH, in accordance with the provisions of Section I.A.2(a)(ii) of Schedule 2 to this Agreement; and “District Plan Implementation Agreements” means, collectively, more than one District Plan Implementation Agreement.
7. “DPT3” means a vaccine for immunization against diphtheria, pertussis, and tetanus.
8. “EGDF” means the Ethnic Group Development Framework referred to in Section I.A.5 of Schedule 2 to this Agreement, which sets forth the principles and procedures satisfactory to the World Bank governing the strategy to be implemented by

the Recipient in carrying out the Project in areas where Ethnic Groups are residing, cultivating, hunting, and carrying out other similar social activities which strategy includes special planning measures or actions to be undertaken aimed at ensuring that through informed consultation the Ethnic Groups receive the benefits from the Project in a culturally compatible manner acceptable to them, and do not suffer adverse effects as a result of the implementation of the Project.

9. “Ethnic Group” means, for purposes of the Project, the social groups residing or engaged in livelihood activities in the Project Provinces from time to time; each possesses a distinct social and cultural identity that makes it vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct social group; (iii) a language, often different from the Lao language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production; and “Ethnic Groups” means, collectively, more than one Ethnic Group.

10. “Incremental Operating Costs” means reasonable expenditures incurred by the Recipient in managing and coordinating the implementation of the Project, including costs of office equipment and supplies, travel costs including per diems and lodging of staff, fuel costs, vehicle maintenance, communication, utilities, and consumables, which expenditures would not have been incurred absent the Project but excluding salaries or salary supplements of officials of the Recipient’s civil service.

11. “Key Maternal and Child Health Services” means timely antenatal care, facility delivery, postnatal care, and regular well-child check-ups, including immunizations, micronutrient supplementation, breastfeeding promotion, and counseling on nutrition and hygiene.

12. “Lao Women’s Union” means the Recipient’s Lao Women’s Union and any successor thereto.

13. “MOH” means the Recipient’s Ministry of Health and any successor thereto.

14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 8, 2009 and referred to in paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. “Project Operational Manual” means the Recipient’s manual detailing the implementation arrangements for the Project in accordance with the provisions of Section I.A.2(a) of Schedule 2 to this Agreement.

16. “Project Provinces” means the Recipient’s provinces of Attapu, Bolikhamxai, Champasak, Khammouane, Salavan, Savanakhet, and Xekong, and any other provinces agreed to between the Recipient and the World Bank; and “Project Province” means any of the said provinces.

17. “Selected Health Facilities” means a health center or district hospital located in Selected Project Districts, which have complied with the selection criteria established in the Project Implementation Plan in order to provide Key Maternal and Child Health Services to the Beneficiaries; and the term “Selected Health Facilities” means, collectively, more than one Selected Health Facility.

18. “Selected Project District” means a district within a Project Province selected by the Recipient with the prior agreement of the World Bank and in accordance with the Project Implementation Plan; and the term “Selected Project Districts” means, collectively, more than one Selected Project District.