

CONFORMED COPY

CREDIT NUMBER 3801 LA

Development Credit Agreement

(Second Land Titling Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 4, 2003

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 4, 2003, between the LAO PEOPLE'S DEMOCRATIC REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from the Australian Agency for International Development (AusAID) a grant (AusAID Grant) in an amount equivalent to six million eight hundred forty thousand dollars (\$6,840,000) to assist in the financing of Part E of the Project, on the terms and conditions set forth in an agreement (the AusAID Grant Agreement) to be entered into between the Borrower and AusAID; and

(C) the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999 (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Annual Work Program and Budget" means the work program and budget to be prepared by the Borrower in accordance with paragraph 3 of Schedule 4 to this Agreement;

(b) "Bank of Lao PDR" and the acronym "BOL" mean the Borrower's Central Bank, or any successor thereto;

(c) “Community Education and Services Manual” means the operational manual, adopted, maintained and implemented by the Borrower, satisfactory to the Association, that sets forth the guidelines and procedures for the carrying out of community education and services activities under the Project, including: community mapping; information dissemination, education, and communications in respect of the Borrower’s land titling services; advisory services for title holders; and monitoring and evaluation activities under the Project; all for the purpose of identifying the social and ethnic profiles of communities prior to the commencement of land titling activities carried out by the Borrower under the Project, and referred to paragraph 4(c) of Schedule 4 to this Agreement;

(d) “Department of Lands” and the acronym “DOL” mean the Department of Lands established on July 20, 1995 and maintained within the Borrower’s Ministry of Finance for the purpose of carrying out the Borrower’s national land registration and titling programs, or any successor thereto;

(e) “Department of National Land Use Planning and Development” means the Department of National Land Use Planning and Development established on December 11, 2001 and maintained in the Borrower’s Office of the Prime Minister for the purpose of coordinating and implementing the Borrower’s national land administration, management, and development policies, or any successor thereto;

(f) “Department of State Assets Management” means the Department of State Assets Management established on July 20, 1995, and maintained within the Borrower’s Ministry of Finance for the purpose of registering, supervising and maintaining assets owned by the Borrower, or any successor thereto;

(g) “Displaced Person” means a person who, on account of the execution 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;

(h) “Eligible Categories” means categories 1 through 6 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(i) “Eligible Expenditures” means the expenditures in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(j) “Environmental Guidelines” means the environmental management plan, satisfactory to the Association, adopted on May 26, 2003, and maintained by the Borrower and comprised of the environmental principles, guidelines, measures and procedures designed to mitigate any potential adverse environmental impact that may result under the Project, as such management guidelines may be amended from time to time with the prior concurrence of the Association, and to be carried out in accordance with the provisions set forth in paragraph 12 of Schedule 4 to this Agreement;

(k) “Ethnic Group Development Framework” means the policy framework, satisfactory to the Association, adopted on May 26, 2003 and maintained by the Borrower pursuant to paragraph 12 of Schedule 4 to this Agreement, that sets forth the guidelines, principles and procedures for the: (i) informed involvement of the Borrower’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 framework may be amended from time to time with the prior concurrence of the Association;

(l) “Financial Management Manual” means the Financial Management Manual, satisfactory to the Association, adopted, maintained and implemented by the Borrower, pursuant to paragraph 4 of Schedule 4(b) to this Agreement, that sets forth the day-to-day financial management procedures and audit procedures to be undertaken by the Borrower in the carrying out of the Project, as said Manual may be amended from time to time with the prior agreement of the Association;

(m) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement;

(n) “Fiscal Year” and the acronym “FY” mean the Borrower’s fiscal year which starts on October 1 and ends on September 30;

(o) “Lao Women’s Union” means the Borrower’s social organization recognized in Article 7 of the Constitution of the Lao People’s Democratic Republic (1991), or any successor thereto;

(p) “Memorandum of Understanding” means, individually, the Memorandum of Understanding, satisfactory to the Association, executed between the Department of Lands and each of: (i) the Lao Women’s Union; (ii) the Polytechnic School; (iii) the National Geographic Department; and (iv) the Department of Land Use Planning and

Development, all for the purpose of coordinating the implementation of their respective activities under the Project and in accordance with paragraph 6 of Schedule 4 to this Agreement;

(q) “National Geographic Department” means the National Geographic Department established on March 31, 1955 and maintained within the Borrower’s Office of the Prime Minister for the purpose of the carrying out of land mapping services, or any successor thereto;

(r) “National Land Policy Committee” means the Borrower’s National Land Policy Committee maintained in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement for the purpose of formulating the Borrower’s land administration policies;

(s) “Planning and Finance Division” means the division within the central-level Department of Lands office, referred to in, and maintained in accordance with paragraph 1 of Schedule 4 to this Agreement;

(t) “Planning and Finance Section” means the section within the Provincial Land Office, referred to in, and maintained in accordance with paragraph 5 of Schedule 4 to this Agreement;

(u) “Polytechnic School” means the Borrower’s Polytechnic School established on January 2, 1986 and maintained within the Borrower’s National University of Lao, or any successor thereto;

(v) “Procurement Manual” means the Procurement Manual, satisfactory to the Association, adopted and maintained by the Borrower, that sets forth the procurement measures and procedures to be undertaken in the carrying out of the Project, consistent with the provisions set forth in Schedule 3 to this Agreement as said Manual may be amended from time to time with the prior agreement of the Association;

(w) “Project Oversight Committee” means the committee to be established and maintained, satisfactory to the Association, in each of the Project Provinces for the purpose of Project implementation and reporting at the provincial level, and maintained in accordance with paragraph 2(b) of Schedule 4 to this Agreement;

(x) “Project Performance Indicators” means those indicators designed to measure the Borrower’s performance in achieving the Project objectives as set forth in Schedule 6 to this Agreement;

(y) “Project Provinces” means the Borrower’s provinces of Luang Prabang, Vientiane, Xayabouly, Savannakhet, Champassack, Khammuane, Borikhamxay, and Saravane, and the municipality of Vientiane Municipality, and such other provinces or

municipalities that may be included during the implementation of the Project by agreement between the Borrower and the Association;

(z) "Project Steering Committee" means the steering committee to be established and maintained by the Borrower for the purpose of Project implementation and reporting at the central level, and maintained in accordance with paragraph 2 of Schedule 4 to this Agreement;

(aa) "Provincial Land Office" means the provincial-level Land Office established and maintained within the relevant provincial Department of Finance in each of the Project Provinces, or any successor thereto;

(bb) "Resettlement Policy Framework" means the Resettlement Policy Framework, satisfactory to the Association, adopted on May 26, 2003 and maintained by the Borrower providing procedures, rules, and guidelines for: (i) the involuntary taking of land and other assets from Displaced Persons; (ii) resettlement and rehabilitation of, and compensation to, Displaced Persons; and (iii) reporting and monitoring arrangements to ensure compliance with such framework, as such framework may be amended from time to time with the prior agreement of the Association;

(cc) "Restructuring Plan" means the Borrower's Department of Lands Restructuring Plan, approved by the Minister of Finance on May 12, 2003 and providing for the administrative restructuring arrangements of the Department of Lands;

(dd) "Social and Environmental Guidelines" means the Borrower's instrument, satisfactory to the Association, that includes the Borrower's Environmental Guidelines, Ethnic Group Development Framework, and Resettlement Policy Framework, as the contents of said instrument may be amended from time to time with the agreement of the Association, and referred to in paragraph 12 of Schedule 4 to this Agreement; and

(ee) "SOE" means any one of the Borrower's state-owned enterprises, and the term "SOEs" means, collectively, each of said SOE.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ten million eight hundred thousand Special Drawing Rights (SDR 10,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the

reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars, a special deposit account in the Bank of Lao PDR, or a commercial bank on terms and conditions satisfactory to the Association, including in the case of a commercial bank, appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2013 and ending June 15, 2043. Each installment to and including the installment payable on June 15, 2023 shall be one

percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through its Department of Lands and its Department of National Land Use Planning and Development, with due diligence and efficiency and in conformity with appropriate administrative, engineering, and financial standards and sound environmental, and social practices, satisfactory to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower, through its Department of Lands and its Department of National Land Use Planning and Development shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower, jointly through the Department of Lands and the Department of National Land Use Planning and Development, shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect, separately, the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors, acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Financial Monitoring Reports or statements of expenditure, the Borrower shall:

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

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 13 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) the Borrower has amended, revised, waived, repealed, suspended, or abrogated any legal, regulatory or administrative instrument or arrangement that in the opinion of the Association, would materially and adversely affect the carrying out of the Project or any part thereof; and

(b) (i) subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the AusAID grant shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; (ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to

the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely, that any of the events specified in Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.02 (b) of the General Conditions, namely, that:

(a) the Borrower has adopted the Procurement Manual, the Financial Management Manual, and the Community Education and Services Manual, in accordance with paragraph 4 to Schedule 4 to this Agreement, each of which is in form and substance, satisfactory to the Association;

(b) the Borrower, through the Ministry of Finance, has adopted the Restructuring Plan and appointed essential personnel in accordance therewith in its Department of Lands, satisfactory to the Association;

(c) a Project Implementation Advisor and Land Policy Advisor have been employed in accordance with the provisions of paragraph 1(b) of Schedule 4 to this Agreement;

(d) the Borrower, through its Department of Lands, has executed a Memorandum of Understanding, in form and substance satisfactory to the Association with each of: (i) the Lao Women's Union; (ii) the Polytechnic School; (iii) the National Geographic Department; and (iv) the Department of National Land Use Planning and Development; and in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement;

(e) the Borrower has, satisfactory to the Association: (i) installed in the Planning and Finance Division a computerized financial management system and employed three financial management staff in said Division; and (ii) employed two accounting staff in the Department of National Land Use Planning and Development; all in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement; and

(f) all conditions precedent to the effectiveness of the AusAID Grant Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
Post Office Box No. 46
Vientiane
Lao People's Democratic Republic

Cable address:	Telex:	Facsimile:
MINFINANCE	4369	856-21-412142
VIENTIANE	MOF LS	856-21-412417

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By /s/ Chansy PHOSIKHAM
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ian Porter
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	600,000	90%
(2) Goods	1,070,000	100% of foreign expenditures, 100% of ex-factory local expenditures, 90% of other local expenditures
(3) Consultants' Services	1,600,000	88%
(4) Training and Workshops	1,010,000	100%
(5) Title Development Costs	4,300,000	87%
(6) Incremental Operating Costs	1,120,000	100% for obligations incurred prior to 9/30/05; and 50% for obligations incurred thereafter
(7) Unallocated	1,100,000	
TOTAL:	<u>10,800,000</u> =====	

2. For the purposes of this Schedule:

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

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “incremental operating costs” means reasonable expenditures related to the Project incurred by the Department of Lands, the Provincial Lands Offices, the Department of National Land Use Planning and Development, the National Geographic Department, the Lao Women’s Union, and the Polytechnic School (which expenditures would not have been incurred absent the Project), including expenditures for Project staff travel and per diem, office supplies, utilities, office rent, email internet fees, maintenance of office and surveying equipment, and operation and maintenance of vehicles, but excluding staff salaries or salary supplements; and

(d) the term “title development costs” means the expenses incurred by the Borrower on account of systematic land titling by the surveying and adjudication teams under Part D of the Project, land recording and information management, including materials, contractual fees and travel expenses of adjudication teams, gasoline and other vehicle operational expenses, and materials for adjudication and surveying.

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

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for: (i) contracts for civil works costing less than \$50,000 each; (ii) contracts for goods costing less than \$50,000 equivalent each; (iii) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individual consultants valued at less than \$50,000 equivalent each; (iv) title development costs; (v) training and workshops; and (vi) incremental operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the achievement of the Borrower's economic and poverty reduction goals by improving land tenure security, developing transparent and efficient land administration institutions, and increasing the Borrower's revenues from land-related taxes and fees.

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

Part A: Land Policy Administration and Regulatory Framework

1. Strengthening Land Policy Administration Capacity

Strengthening the capacity of the Borrower's Department of Land Use Planning and Development to formulate and coordinate land administration policy and regulatory activities, including: (a) publishing and disseminating land administration policy papers, laws and regulations; (b) construction of a building for the Department of Land Use Planning and Development; and (c) the provision of technical advisory services, staff training and equipment therefor.

2. Land Policy Formulation

Carrying out of a program to formulate land policy and develop related legal instruments therefor, including: (a) the carrying out of studies and analyses on land policies; (b) the carrying out of public consultations and workshops; (c) the drafting of land policy legal instruments; (d) publicly disseminating information in respect of said land policy and related legal instruments; and (e) the provision of technical advisory services therefor.

3. Land Information Coordination

Developing and carrying out of a program on the coordination of land information acquisition, and the maintenance and dissemination of such information, including the provision of technical advisory services, training and equipment therefor.

Part B: Institutional Development

1. Department of Lands, Provincial and District Land Offices

Implementing the Borrower's Restructuring Plan to support the sustainable development of its capacity to carry out its land administration responsibilities and duties, including the provision of technical advisory services, furniture and equipment therefor.

2. Training and Human Resources Development

Carrying out of a program to develop and strengthen the land administration and human resource management skills of, inter alia, the Department of Lands, National Polytechnic Institute, Department of State Assets Management and National Geographic Department, including the provision of staff training, equipment, workshops and technical advisory services therefor.

3. Polytechnic School

Establishing a land administration and management program within the Polytechnic School, and upgrading the facilities and the teaching and administration skills of the Polytechnic School staff, including the provision of technical advisory services, civil works, furniture and equipment therefor.

Part C: Land Registration System Strengthening

1. Service Standards

Strengthening the Borrower's capacity to process land title applications, including: (a) developing and implementing: (i) transparent and efficient land administration processes and standards; and (ii) computerized land administration applications; (b) the provision of technical advisory assistance and equipment; and (c) facilities' construction, maintenance, and renovations.

2. Community Education and Services Support

Carrying out of a program to support the community education and services, and information dissemination and participation activities carried out under the Project, through: (a) the development of a gender strategy to address the gender issues of land titling customers; (b) the development of a communications' strategy to disseminate information about the Department of Lands' services and operations; (c) the carrying out of monitoring and evaluation activities; and (d) the development of advisory services for land title holders; including the provision of equipment, training and technical advisory services therefor.

3. Valuation Services Support

Strengthening the land valuation capacity of the staffs of the Department of Lands offices to support the Borrower's land registration system, including the provision of training, equipment, vehicles and technical advisory services therefor.

4. Support to the Department of State Assets Management

Improving the Department of State Assets Management record management processes and capacity to provide access to its services, including the provision of facilities' improvements, equipment and technical advisory services therefor.

Part D: Systematic Land Titling Registration

1. Community Education and Services

Carrying out of a plan on community education and services, including the dissemination of information on, and community participation in, the Borrower's land titling and land registration services in the Project Provinces through: (a) the carrying out of information dissemination campaigns; and (b) the identification of social and ethnic profiles to be used in the land titling program and monitoring of Project impacts; including the provision of and supplies for community education.

2. Systematic Land Titling

Carrying out, through systematic adjudication teams, a systematic land titling program in the Project Provinces, through land surveying, land title issuances, processing of land title documentation, distribution of land titles, aerial photography and orthophoto production including the provision of: Department of Land staff training; office and survey equipment, supplies, and materials; vehicles; and technical advisory services therefor.

Part E: Project Management and Implementation Support

Strengthening the capacity of the staffs of the Department of Lands, Department of National Land Use Planning and Development, and the Provincial Land Offices, to manage and coordinate Project implementation, Project monitoring and evaluation, financial management and reporting, and procurement, including the provision of technical advisory services, staff training, and equipment, and vehicles therefor.

* * * * *

The Project is expected to be completed by December 1, 2008.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil works estimated to cost more than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$900,000 equivalent, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The procedures to be followed for national competitive bidding under subparagraph (a) of this paragraph, shall be in accordance with the procedures set forth in the Borrower's Decree No. 95/PM, dated December 5, 1995 on Government Procurement of Goods, Works Construction, Repairs and Services (hereinafter Decree 95/PM) and Implementing Rules and Regulations Labieb No. 1639/MOF dated December 22, 1998 on Government Procurement of Goods, Works Construction, Repairs and Services (hereinafter IRRs 1639/MOF), with the following clarifications required for compliance with the Guidelines:

- (i) no preference whatsoever will be given to a domestic bidder over foreign bidders or to an SOE over a non-SOE;
- (ii) awards shall be made on the basis of the lowest evaluated bid, and any bid award based upon a point system, or any other criteria other than the lowest evaluated bid, shall be deemed invalid;
- (iii) bids will not be automatically rejected for lack of effective competition solely on the basis of the number of bidders or because

all bid prices substantially exceed the budget allocated and the provisions of paragraph (j) of Article 4 of the IRRs 1639/MOF will apply only as hereby modified by the provisions on rejections of bids set forth in paragraphs 2.59-2.62 of the Guidelines;

- (iv) SOEs may participate only if they can establish that they: (i) are legally and financially autonomous; and (ii) operate under commercial law. No dependent agency of the Borrower shall be permitted to bid or submit a proposal for the procurement of goods or works under the Project;
- (v) the Borrower shall not require bidders or potential bidders to register as such with the relevant authority of the Borrower as a condition of bidding; and
- (vi) each contract financed with the proceeds of the Credit shall provide that the suppliers and contractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association.

2. Small Works

Works estimated to cost less than \$50,000 equivalent per contract up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement satisfactory to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

3. International or National Shopping

Except as provided in Part C.4 of this Section: (a) contracts for computers and software packages estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$160,000 equivalent; and (b) contracts for furniture and consumable materials estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent; may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Vehicles may be procured from the United Nation's Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for: (i) goods estimated to cost the equivalent of \$50,000 or more to be procured in accordance with the provisions of Part B of this Section; (ii) works estimated to cost the equivalent of \$50,000 equivalent or more; and (iii) the first contract for works to be procured in accordance with the provisions of Part C.2 of this Section, in each year of Project implementation, regardless of its value; the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods estimated to cost the equivalent of \$50,000 or less to be procured in accordance with the provisions of Part C.3 of this Section, the following procedures shall apply:

- (i) prior to the selection of any supplier of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

Services for external financial audits of the Project, training and human resources development estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for the carrying out of the socio-economic impact assessment of the Project under Part E of the Project which are estimated to cost less than \$200,000 equivalent per contract may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for: (a) the employment of consulting firms estimated to cost the equivalent of \$100,000 or more; and (b) the employment of individual consultants: (i) estimated to cost the equivalent of \$50,000 or more; or (ii) selected in accordance with the procedures set forth in paragraphs 3.8 through 3.11 of the Consultant Guidelines; the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Project Oversight, Coordination and Management

1. The Borrower shall:

(a) maintain, at all times during the implementation of the Project: (i) a Planning and Finance Division in the Department of Lands; (ii) a Department of National Land Use Planning and Development; and (iii) Provincial Land Offices in the Project Provinces; all with functions, responsibilities and resources satisfactory to the Association, and to that end shall provide said entities with sufficient funds, staffing and other resources as shall be required to allow said entities to carry out their responsibilities under the Project, all in a manner and substance satisfactory to the Association, including, in the case of the Planning and Finance Division, a computerized financial management system under terms of reference satisfactory to the Association; and

(b) staff said entities with qualified and experienced personnel in adequate number, satisfactory to the Association, including, in the case of: (i) the Department of Lands, a qualified and experienced Project Manager and a qualified and experienced Implementation Advisor; (ii) the Department of National Land Use Planning and Development, a qualified and experienced Land Policy Advisor and two accounting staff who are qualified to manage the Project's accounts and Project accounting records; and (iii) the Planning and Finance Division, a qualified and experienced Project financial management specialist, a qualified and experienced Project procurement specialist, and a qualified and experienced Project monitoring and evaluation specialist.

2. The Borrower shall by November 30, 2003 establish and thereafter maintain, satisfactory to the Association: (a) a Project Steering Committee, for the purpose of Project implementation and reporting at the central level, with functions, responsibilities and resources satisfactory to the Association; and (b) Project Oversight Committees in each of the Project Provinces, for the purpose of Project implementation and reporting at the provincial level, with functions, responsibilities and resources satisfactory to the Association; and to these ends shall provide the Project Steering Committee and the Provincial Oversight Committees with sufficient funds, staffing and other resources as shall be required to allow them to carry out their responsibilities under the Project.

3. (a) The Borrower, for purposes of carrying out the Project, shall by November 30, 2003 and August 31 of each year thereafter, through the Department of Lands and the Department of National Land Use Planning and Development, provide and furnish to the Association for its review and comments, an Annual Work Program and Budget, including a procurement plan, training plan, and a list of villages selected for inclusion in the Project's systematic land titling activities, all under terms of reference satisfactory to the Association, and thereafter taking into account the Association's

comments thereon, implement, satisfactory to the Association said Annual Work Program and Budget, and shall not amend, waive, revise, abrogate, or suspend any portions or portion thereof if such amendment, waiver, revision, abrogation or suspension may, in the opinion of the Association, materially or adversely affect the implementation of the Project, or the carrying out of any part thereof;

(b) As to each Annual Work Program and Budget, the following shall be set forth:

- (i) (A) a brief report on the results achieved with the previous year's Annual Work Program and Budget compared to the objectives with an explanation of the reasons for any identified differences;
- (B) a succinct presentation of the main problems encountered and the lessons learned;
- (C) a clear description of the activities that are going to be undertaken to achieve those objectives and the performance monitoring indicators for that year, including details of any activities pertaining to the implementation of the Social and Environmental Guidelines;
- (D) a detailed estimate of the costs to be incurred in carrying out these activities; and
- (E) a financing plan showing how the costs are going to be financed; and
- (ii) in particular, in respect of:
 - (A) Part A of the Project, shall include a program, satisfactory to the Association, to strengthen the capacity of the Department of Land Use Planning and Development to analyze, and develop policy changes and options in respect of, and publicly disseminate information about, the Borrower's land policy;
 - (B) Part B of the Project, shall include: a training program for the staff of the Department of Lands on land administration and human resource management skills; and in respect of the Polytechnic School, the upgrading of its facilities and teaching and administration skills of the staff of the Polytechnic School, and the establishment of a land administration and management program; all to be carried out in a manner and substance satisfactory to the Association;

- (C) Part C of the Project, shall include measures to develop, implement and monitor the service standards of Provincial Land Offices, the strengthening of the valuation information system capacity of the Provincial Land Offices; and improving the Department of State Assets Management record management processes and capacity to provide access to its services; all of which is to be carried out in a manner and substance satisfactory to the Association;
- (D) Part D of the Project, shall include the public information dissemination of, and community participation in, land registration mapping activities, and land registration in urban, peri-urban and low land agriculture areas; all of which is to be carried out in a manner and substance satisfactory to the Association;
- (E) Part E of the Project, shall include measures, satisfactory to the Association, aimed at the strengthening of the capacity of the Department of Lands to manage the implementation of the Project, including providing training to the staff of the Department of Lands in financial management, procurement, budgeting, and monitoring and evaluation.

4. The Borrower shall adopt and thereafter apply in the implementation of the Project: (a) the Project Procurement Manual, which sets forth the procurement measures and procedures to be undertaken in the carrying out of the Project, consistent with the provisions set forth in Schedule 3 to this Agreement:

(b) the Financial Management Manual, which shall set forth the day-to-day financial management procedures and audit procedures as set forth in Article 4 to this Agreement; and

(c) the Community Education and Services Manual, which shall include the procedures and measures to be carried out in the implementation of the community education and services activities under Parts C and D of the Project, consistent with this Agreement;

all in a manner and substance satisfactory to the Association, as said Manuals may be revised by the Borrower from time to time with the prior approval of the Association.

5. The Borrower shall, for purposes of Project implementation and reporting at the provincial level, maintain until completion of the Project, a Planning and Finance Section in the office of the Department of Lands Office in each Project Province, for the purpose of providing Project coordination support and management in the relevant Project Province, with functions, responsibilities and resources satisfactory to the Association,

and managed and staffed with qualified and experienced personnel in adequate number, including a qualified and experienced Head of Planning and Finance Section, a Project procurement specialist trained in the procurement procedures set out in the Project Procurement Manual, and an accountant trained in the use of the Project's computerized financial management system and the procedures set out in the Project Financial Management Manual.

6. The Borrower, through its Department of Lands, shall: (a) execute a Memorandum of Understanding with each of: (i) the Lao Women's Union; (ii) the Polytechnic School; (iii) the National Geographic Department; and (iv) the Department of National Land Use Planning and Development; for the purpose of setting forth the respective Project implementation responsibilities of each of the afore-referenced entities; each of which Memorandum of Understanding is in form and substance satisfactory to the Association; and

shall not amend, revise, waive, repeal, suspend, or abrogate any said Memoranda or any part thereof, without the prior approval of the Association.

Land Policy Administration and Regulatory Framework

7. In carrying out Part A of the Project, the Borrower shall: (a) maintain, under terms of reference satisfactory to the Association, the National Land Policy Committee, with membership, functions, responsibilities and resources satisfactory to the Association, for the purpose of formulating the Borrower's land administration policies;

(b) (i) by April 1, 2004, commence the publication and carrying out of public consultations to disseminate land administration policy papers, laws and regulations, in a manner and substance satisfactory to the Association; and

(ii) by September 30, 2005, submit to the Association for its review and comments, a study and analysis on the Borrower's land policy that proposes a strategy for the Borrower to carry out its land policy, satisfactory to the Association, and taking into account the Association's comments thereon, thereafter submit to the National Assembly by September 30, 2006, revisions to the Borrower's laws consistent with said strategy; and

(c) through the Department of National Land Use Planning and Development, by December 31, 2004, develop and furnish to the Association for its review and comments, a strategy to:

(i) maintain land records and information; and

- (ii) disseminate said information to the Borrower's administrative and regulatory entities; under terms of reference satisfactory to the Association, and thereafter, implement said strategy, in a manner and substance satisfactory to the Association, taking into account the Association's comments thereon.

Institutional Development

8. In carrying out Part B of the Project, the Borrower shall by October 31, 2003, complete, under terms of reference and in a manner and substance satisfactory to the Association, the implementation of the Borrower's Restructuring Plan of its Department of Lands.

Land Registration System Strengthening

9. In carrying out Part C of the Project, the Borrower shall, through the Department of Lands, by June 30, 2004, prepare and furnish to the Association for its review and comments, under terms of reference satisfactory to the Association, operational service standards and processes for the Provincial Land Offices and thereafter, taking into account the Association's view and comments thereon, implement said service standards and processes, in a manner and substance satisfactory to the Association.

Systematic Land Titling Registration

10. In carrying out Part D of the Project, the Borrower shall, through each of the Provincial Department of Lands Offices;

- (a) by May 31, 2004, submit to the Association for its review and comments, a timebound action plan in respect of the community education and services activities to be carried out under the Project in the relevant Project Province, including the identification of villages selected to participate in said activities, and thereafter carry out said plan, taking into account the Association's comments thereon, in a manner and substance satisfactory to the Association; and

- (b) by June 30, 2004, commence, under terms of reference satisfactory to the Association, the implementation of a community education and services plan to support systematic land titling registration under the Project in the relevant Project Province, in accordance with the Community Education and Services Manual, in a manner and substance satisfactory to the Association.

Project Management and Implementation Support

11. In carrying out Part E of the Project, the Borrower shall:

- (a) maintain in its Planning and Finance Division, a financial management system, under terms of reference satisfactory to the Association;

(b) maintain in each of the Provincial Land Offices a financial management system, under terms of reference satisfactory to the Association; and

(c) through the Department of Lands, by June 30, 2004, develop and furnish to the Association for its review and comments, under terms of reference satisfactory to the Association, a computerized monitoring and evaluation system to track the Project performance and monitor Project outputs and impacts at the national and provincial levels, and thereafter taking into account the Association's view and comments thereon, implement said monitoring and evaluation system, in a manner and substance satisfactory to the Association.

Acquisition of Land or Assets; Ethnic Group Policy Framework; Environment

12. In carrying out the Project, the Borrower shall: (a) apply, and shall cause to be applied the Social and Environmental Guidelines, and without any limitation thereto, shall take timely action to ensure that:

- (i) the Environmental Guidelines are applied, in a manner and substance satisfactory to the Association, so as to prevent, minimize, mitigate, or compensate for the adverse environmental impacts of the Project and enhance the positive impacts of the Project;
- (ii) the Ethnic Group Development Framework is applied, in a manner and substance satisfactory to the Association, so as to address any social or cultural impact on the Borrower's ethnic groups that may arise from the execution of the Project; and
- (iii) the Resettlement Policy Framework is applied, in a manner and substance satisfactory to the Association, so as to provide for the compensation and rehabilitation of, and resettlement assistance to, Displaced Persons; and

(b) through the Department of National Land Use Planning and Development, by October 31, 2006, commence, under terms of reference satisfactory to the Association, socioeconomic and environmental impact assessments to evaluate the Project impacts and make recommendations thereon, and thereafter implement said recommendations, all in a manner and substance satisfactory to the Association.

Project Monitoring and Evaluation

13. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance indicators set forth in

Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) through the Department of Lands and Department of National Land Use Planning and Development, prepare under terms of reference satisfactory to the Association, and furnish to the Association by February 28, 2005 and September 28, 2006, reports integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph 13, on the progress achieved in the carrying out of the Project during the period preceding the date of said reports and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such dates; and

(c) review with the Association, by March 30, 2005, or such later date as the Association shall request, the report referred to in sub-paragraph (b) of this paragraph in respect of the report pertaining to the period prior to February 28, 2005, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

14. Notwithstanding the provisions of paragraph 13 of this Schedule, the Borrower shall, through the Department of Lands and Department of National Land Use Planning and Development by August 31 and February 28 of each year, commencing February 28, 2004, until completion of the Project, prepare and furnish to the Association, for its review and comments, progress reports in form and substance satisfactory to the Association, and thereafter, finalize such reports taking into consideration the comments of the Association.

15. The Borrower, shall by June 30, 2004, appoint and thereafter retain, the services of an independent auditing firm, satisfactory to the Association, to carry out the independent audits required under Section 4.01 of this Agreement and carry out said independent audits in accordance with terms of reference satisfactory to the Association.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2), (3), (4), (5) and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means: expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the financing allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means: an amount equivalent to \$1,000,000 in respect of the Special Account of the Project to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$700,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 3,500,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b)
 - (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
 - (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

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

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

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

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

SCHEDULE 6

Performance Indicators

Project Development

Objective:

To improve the security of land tenure; to develop transparent and efficient land administration institutions at the national and provincial levels; and to improve the government's capacity to provide social and economic services through broader revenue base from property related fees and taxes.

Output from each Component:

Key land policies are formulated and associated regulatory instruments developed and adopted.

DOL has the institutional capacity to undertake its mandate in an efficient, effective and sustainable manner.

Outcome / Impact Indicators:

Equal access of women to land office services and land titling activities.

Increase by 30% in the number of formal land transactions (both sales and rentals).

Increase in formal lending by 30%

Increase in government revenues by 30% from land and property taxes and fees.

Output Indicators:

National Land Policy Committee established and functioning effectively by October 1, 2003.

Procedures for consultations with key stakeholders on policy development developed and adopted by March 2004.

A strategy on land information sharing developed and approved by March 31, 2005; a pilot of land information sharing is tested by December 31, 2006.

Restructuring plan of DOL is approved and implemented by October 1, 2003.

Land Tax Unit of DOL strengthened and separated from DOL by December 31, 2005.

At least 30% of staff in DOL are women by the end of the project.

At least 30% of students of the high level diploma are women.

Well functioning land registration system.	9 Provincial offices and 10 district land offices established in project areas.
	Service Standards for land registration transactions developed, agreed, implemented and monitored; 80% of transactions are completed within service standards.
	Over 80% of subsequent land transactions are registered.
Well functioning system for issuing land titles.	400,000 land parcels to be surveyed and adjudicated and 320,000 titles will be issued and registered by the end of the project.
	90% of issued titles distributed by the beneficiaries.
	Productivity of Systematic Adjudication Teams are more than 3 parcels per day per team.
	Cost per title is less than US\$25.
	Titles production and distribution in less than 4 months after adjudication.
Improved capacity of DOL and land offices to implement and manage project activities.	Establishment of an M&E system by June 30, 2004.
	Contracting of the second round of socioeconomic and environmental impact assessment by March 31, 2006.

