
LOAN NUMBER 2259-LAO(SF)

GRANT NUMBER 0055-LAO(SF)

FINANCING AGREEMENT
(Special Operations)

(Northern Region Sustainable Livelihoods through Livestock Development Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 15 JANUARY 2007

FAS:LAO 35297

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated 15 January 2007 between the LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Lao PDR") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) Lao PDR has applied to ADB for a loan and a grant for the purposes of the Project described in Schedule 1 to this Financing Agreement;

(B) Lao PDR has also applied to the Swiss Agency for Development and Cooperation ("SDC") for a grant ("SDC Grant") in the amount of three million five hundred thousand dollars (\$3,500,000) to finance a portion of the cost of Parts 1 to 3 of Schedule 1 to this Financing Agreement;

(C) Lao PDR has also applied to the International Fund for Agricultural Development ("IFAD") for a loan ("IFAD Loan") in the amount of three million dollars (\$3,000,000) to finance a portion of the cost of Components 1 and 2 of Part 1 of Schedule 1 to this Financing Agreement; and

(D) ADB has agreed to provide financing by making a loan and a grant to Lao PDR from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations and Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to the Loan made pursuant to this Financing Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) The term "Loan Agreement", wherever it appears in the Loan Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Borrower", wherever it appears in the Loan Regulations, shall be substituted by the term "Lao PDR" as defined in the opening paragraph of this Financing Agreement.

Section 1.02. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made

applicable to the Grant made pursuant to this Financing Agreement with the same force and effect as if they were fully set forth herein subject, however, to the following modifications:

(a) The term "Grant Agreement", wherever it appears in the Grant Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Recipient", wherever it appears in the Grant Regulations, shall be substituted by the term "Lao PDR" as defined in the opening paragraph of this Financing Agreement.

Section 1.03. The definitions set forth in the Loan Regulations and the Grant Regulations are applicable to this Financing Agreement, in each case unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Component" means a component of the Project as more particularly described in Schedule 1 to this Financing Agreement;

(b) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers dated April 2006, as amended from time to time;

(c) "DAFEO" means a District Agriculture and Forestry Extension Office;

(d) "DLF" means the Department of Livestock and Fisheries of the MAF, and any successor thereto;

(e) "EGDP" means the Ethnic Groups Development Plan prepared for the Project;

(f) "EMP" means Environment Monitoring Plan prepared as a part of the initial environmental examination prepared for the Project;

(g) "Goods" means equipment and materials to be financed out of the proceeds of the Grant and the Loan, and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(h) "IFAD Loan Agreement" means the agreement for the IFAD Loan, referred to in Recital (C) of this Financing Agreement;

(i) "LWU" means the Lao Women's Union, and any successor thereto;

(j) "MAF" means the Ministry of Agriculture and Forestry of Lao PDR, and any successor thereto;

(k) "MOF" means the Ministry of Finance of Lao PDR, and any successor thereto;

(l) "PAFO" means Provincial Agriculture and Forestry Office in each of the Participating Provinces;

(m) "Part" means a part of the Project as more particularly described in Schedule 1 to this Financing Agreement;

(n) "Participating Province" means any of Houaphan Province, Luang Prabang Province, Luang Namtha Province, Bokeo Province and Xieng Khouang Province;

(o) "PCC" means the Provincial Coordination Committee established for the Project in each Participating Province as more particularly described in paragraph 7 of Schedule 5 to this Financing Agreement;

(p) "PIU" means the Provincial Implementation Unit established for the implementation of the Project in each Participating Province as more particularly described in paragraph 6 of Schedule 5 to this Financing Agreement;

(q) "Procurement Guidelines" means ADB's Procurement Guidelines dated April 2006, as amended from time to time;

(r) "Procurement Plan" means the procurement plan for the Project dated 29 August 2006 and agreed upon between Lao PDR and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines and other arrangements agreed with ADB;

(s) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations and the Grant Regulations means MAF, which is responsible for the carrying out of the Project;

(t) "PSC" means the national Project Steering Committee established for the Project as more particularly described in paragraph 2 of Schedule 5 to this Financing Agreement;

(u) "RO" means the Regional Office of DLF in the Northern Province, and any successor thereto;

(v) "Village Revolving Fund" means a fund established under Component 1 of Part 1 to provide loans to individual smallholders for approved business plans; and

(w) "Works" means construction or civil works to be financed out of the proceeds of the Loan and the Grant, and including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan and the Grant

Section 2.01. ADB agrees to provide to Lao PDR from ADB's Special Funds resources, on terms and conditions set forth in this Financing Agreement:

(a) a loan in various currencies equivalent to six million two hundred and fifty-six thousand Special Drawing Rights (SDR 6,256,000) (the "Loan"); and

(b) a grant in the amount of seven hundred thousand dollars (\$700,000) (the "Grant").

Section 2.02. (a) The Loan proceeds shall be withdrawn from the Loan Account in accordance with the provisions of Schedule 3A to this Financing Agreement for purposes of financing a portion of the Project expenditures; and

(b) The Grant proceeds shall be withdrawn from the Grant Account in accordance with the provisions of Schedule 3B to this Financing Agreement for purposes of financing a portion of the Project expenditures.

Section 2.03. (a) Lao PDR shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.04. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.05. Lao PDR shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.06. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan and the Grant

Section 3.01. Lao PDR shall cause the proceeds of the Loan and the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Financing Agreement.

Section 3.02. The Goods, Works, consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the Grant and the respective allocation of amounts of the Loan and the Grant among different categories of such Goods, Works, consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3A and Schedule 3B, respectively, to this Financing Agreement, as such Schedule 3A and Schedule 3B may be amended from time to time by agreement between Lao PDR and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works, consulting services and other items to be financed out of the proceeds of the Loan and the Grant shall be procured in accordance with the provisions of Schedule 4 to this Financing Agreement.

Section 3.04. Withdrawals from the Loan Account and the Grant Account in respect of Goods, Works, consulting services and other items shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works, consulting services and other items which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2012 or, in each case, such other date as may from time to time be agreed between Lao PDR and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, Lao PDR shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Financing Agreement.

Section 4.02. (a) Lao PDR shall (i) maintain, or cause to be maintained, separate accounts for the Project, including separate accounts for the Loan and the Grant; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and the Grant proceeds and compliance with the financial covenants of this Financing Agreement as well as on the use of the procedures for imprest account and statement of expenditures, all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) Lao PDR shall enable ADB, upon ADB's request, to discuss Lao PDR's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by Lao PDR pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of Lao PDR unless Lao PDR shall otherwise agree.

Section 4.03. Lao PDR shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan and the Grant, and any relevant records and documents.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of Lao PDR to make withdrawals from (a) the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations, and (b) the Grant Account for the purposes of Section 8.01 (k) of the Grant Regulations, respectively:

(a) the IFAD Loan shall have become liable for suspension or cancellation.

- (b) the SDC Grant shall have become liable for suspension or cancellation.

Section 5.02. The following are specified as additional events for acceleration of maturity of the loan for the purposes of Section 8.07(d) of the Loan Regulations: either of the events specified in Section 5.01 of this Financing Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Financing Agreement for the purposes of Section 9.01(f) of the Loan Regulations and Section 9.01 (e) of the Grant Regulations, respectively:

(a) the IFAD Loan Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring effectiveness of this Financing Agreement) shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB;

- (b) MAF shall have established the RO; and

- (c) MAF shall have designated the head of the RO.

Section 6.02. A date ninety (90) days after the date of this Financing Agreement is specified for the effectiveness of the Financing Agreement for the purposes of Section 9.04 of the Loan Regulations and Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of Lao PDR is designated as representative of Lao PDR for the purposes of Section 11.02 of the Loan Regulations and Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations and Section 11.01 of the Grant Regulations:

For Lao PDR

Ministry of Finance
23 Singha Road
P.O. Box 46
Vientiane, Lao People's Democratic Republic

Facsimile Number:

+856 21 41-2142
+856 21 41-2417

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

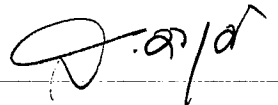
29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

+63 2 636-2444
+63 2 636-2231

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Financing Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

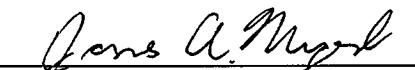
LAO PEOPLE'S DEMOCRATIC
REPUBLIC



By _____

Somdy Duangdy
Vice Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By  _____

JAMES NUGENT
Country Director
LAO RESIDENT MISSION

SCHEDULE 1

Description of the Project

Objectives

1. The objective of the Project is to assist Lao PDR in improving the sustainability of livelihoods of upland smallholders in northern Lao PDR by enhancing livestock productivity and profitability under integrated upland farming systems.

Scope

2. The Project consists of the following:

Part 1. Enhancement of Village Livestock Production Systems

Component 1. Productivity Initiatives

- (i) improve growth of large livestock through introduction of forage from nurseries in conjunction with training on forage production and livestock feeding practices;
- (ii) improve livestock survival through better handling and disease control;
- (iii) improve livestock productivity through training to smallholders and group demonstrations of equipment;
- (iv) improve the access of poor livestock rearers, especially women, to improved smallholder poultry and piggery production and management techniques;
- (v) improve livestock management practices through training and demonstrations of material and equipment; and
- (vi) support establishment, financing, administration and monitoring of Village Revolving Funds for providing funds to smallholders.

Component 2. Market Linkage and Enterprise Development

- (i) upgrade selected livestock markets for export promotion;
- (ii) provide training and support for marketing activities by smallholders;
- (iii) promote livestock related businesses such as breeder supplies, animal health, and animal trading;
- (iv) develop system for contracts between farmers and traders including contract supply mechanisms;
- (v) upgrade infrastructure such as transportation and water supply, and improve market access; and
- (vi) support market surveys and studies.

Component 3. Participatory Extension Networks

- (i) rehabilitate or establish offices for district and provincial extension activities;
- (ii) develop participatory, gender responsive, and culturally sensitive pro poor extension techniques for extension workers in the DAFEOs and village level extension staff;
- (iii) develop technical skills of subject matter specialists in the PAFOs of Participating Provinces; and
- (iv) provide training on management of extension activities.

Part 2. Capacity Building for Community Driven Development

- (i) promote formation of community based groups such as producer groups, and revolving fund groups;
- (ii) support community based groups with development of participatory procedures; and
- (iii) provide awareness raising and trainings including literacy training, numeracy training and management of Village Revolving Funds.

Part 3. Support for Project Management and Implementation

- (i) support establishment and operation of the project management structure;
- (ii) provide technical support for project management, monitoring and evaluation; and
- (iii) provide technical support in extension training, community development, gender awareness, livestock production, animal health, and livestock trade development.

3. The Project includes the provision of consulting services, and is expected to be completed by 30 June 2012.

SCHEDULE 2

**Amortization Schedule
(Northern Region Sustainable Livelihoods through Livestock Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 Dec 2014	130,333
15 Jun 2015	130,333
15 Dec 2015	130,333
15 Jun 2016	130,333
15 Dec 2016	130,333
15 Jun 2017	130,333
15 Dec 2017	130,333
15 Jun 2018	130,333
15 Dec 2018	130,333
15 Jun 2019	130,333
15 Dec 2019	130,333
15 Jun 2020	130,333
15 Dec 2020	130,333
15 Jun 2021	130,333
15 Dec 2021	130,333
15 Jun 2022	130,333
15 Dec 2022	130,333
15 Jun 2023	130,333
15 Dec 2023	130,333
15 Jun 2024	130,333
15 Dec 2024	130,333
15 Jun 2025	130,333
15 Dec 2025	130,333
15 Jun 2026	130,333
15 Dec 2026	130,333
15 Jun 2027	130,333
15 Dec 2027	130,333
15 Jun 2028	130,333
15 Dec 2028	130,333
15 Jun 2029	130,333
15 Dec 2029	130,333
15 Jun 2030	130,333

Schedule 2

15 Dec 2030	130,333
15 Jun 2031	130,333
15 Dec 2031	130,333
15 Jun 2032	130,333
15 Dec 2032	130,333
15 Jun 2033	130,333
15 Dec 2033	130,333
15 Jun 2034	130,333
15 Dec 2034	130,333
15 Jun 2035	130,333
15 Dec 2035	130,333
15 Jun 2036	130,333
15 Dec 2036	130,333
15 Jun 2037	130,333
15 Dec 2037	130,333
15 Jun 2038	130,349
	<hr/>
TOTAL	6,256,000
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* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3A**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 7 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to Lao PDR, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to Lao PDR, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the Loan proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook), as amended from time to time.

Loan Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, Lao PDR shall establish immediately after the Effective Date, a Loan imprest account at the Bank of the Lao PDR. The Loan imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements agreed upon between Lao PDR and ADB. The currency of the imprest account shall be Dollar. The initial amount to be deposited into the Loan imprest account shall not exceed the lower of (i) the estimated expenditure to be financed out of the proceeds of the Loan for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for the Project and to liquidate advances provided into the Loan imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between Lao PDR and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
(Northern Region Sustainable Livelihoods through Livestock Development Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated [SDR]	Percentage and Basis for Withdrawal from the Loan Account*
1	Civil Works	1,211,000	100 percent of total expenditure
2	Equipment & Vehicles	512,000	100 percent of total expenditure
3	Materials	353,000	100 percent of total expenditure
4	Village Revolving Funds	1,211,000	100 percent of total expenditure
5	Farmer Training	403,000	100 percent of total expenditure
6	Supervision	336,000	100 percent of total expenditure
7	Interest Charge	155,000	100 percent of amount due
8	Unallocated	2,075,000	
	Total	6,256,000	

Note: 100% of total expenditure excluding taxes and duties.

SCHEDULE 3B**Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Category and Subcategories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Disbursement Procedures

3. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the Grant proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook), as amended from time to time.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
(Northern Region Sustainable Livelihoods through Livestock Development Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated	Percentage and Basis for Withdrawal from the Grant Account*
		\$	
1	Consulting Services	700,000	100 percent of total expenditure
	Total	700,000	

Note: 100% of total expenditure excluding taxes and duties.

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan and the Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Financing Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

National Competitive Bidding
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. Lao PDR may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

C. Selection of Consulting Services

4. Except as ADB may otherwise agree, Lao PDR shall apply quality- and cost-based selection for selecting and engaging consulting services.

D. Industrial or Intellectual Property Rights

5. (a) Lao PDR shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) Lao PDR shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

Lao PDR shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants

to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Procurement Decisions

6. All contracts for procurement and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between Lao PDR and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of the Project

I. Project Implementation Structure

A. National Level

1. MAF shall be the Project Executing Agency and shall be responsible for overall execution of the Project, including preparation and submission of required reports to ADB. MAF shall designate the head of the RO as the National Project Director, who shall be responsible for overall Project implementation and management, including coordination with Participating Provinces and submission of consolidated progress reports, financial reports and annual Project work plans to PSC for review and approval.

2. PSC chaired by the Vice Minister of MAF and including representatives from MAF, National Agricultural and Forestry Extension Service, National Agriculture and Forestry Research Institute, MOF, Ministry of Foreign Affairs, and representatives of Participating Provinces shall approve annual Project work plans, provide guidance to MAF on policy and interdepartmental cooperation, and review Project implementation. PSC shall meet on a semi-annual basis, or as required to review implementation progress.

3. DLF shall be responsible for overall implementation of the Project, and shall establish a national coordination office within DLF and assign staff to the coordination office for the purpose of coordination among institutions involved in the Project, especially coordination with MOF in attending to financial management of the Project. The coordination office shall carry out financial management in consultation with the National Project Director.

B. Regional Level

4. The RO shall provide day-to-day management and coordination of Project activities under the supervision of DLF. The National Project Director shall be assisted by an assistant director and staff of the RO. The RO shall submit monthly and quarterly progress reports to DLF.

C. Provincial Level

5. MAF shall ensure that Project activities in a Participating Province are incorporated into annual PAFO work plans to be collated into the annual Project work plan.

6. A PIU shall be established within the Livestock Section of the PAFO in each Participating Province and operationalized in order to coordinate implementation in the respective Participating Provinces. A PIU shall be headed by the PAFO director of the respective Participating Provinces and comprise of a full time officer responsible for provincial implementation, and necessary administrative support staff from PAFO.

7. The PCCs shall be convened by the respective provincial vice governors, and consist of representatives of provincial departments and mass organizations concerned, and shall meet quarterly. The PCCs shall endorse annual PIU work plans and budgets, review implementation progress, and guide provincial Project activities.

II. Counterpart Contribution and Funds

Counterpart Contribution

8. Lao PDR shall prepare estimates of counterpart fund requirements 12 months in advance, make timely submission of annual budgetary appropriation requests and take all other measures necessary or appropriate for prompt release of appropriated funds to the Participating Provinces during each year of Project implementation.

Village Revolving Fund

9. The Village Revolving Funds shall be managed by Village Revolving Fund groups formed under Part B and assisted by LWU.

10. Before any funds may be withdrawn from the imprest account for the purpose of a Village Revolving Fund,

- (a) MAF shall have prepared guidelines and criteria satisfactory to ADB for the selection of village and borrowers;
- (b) the RO shall have engaged LWU units at provincial and district level which will provide training and support to the Village Revolving Fund group of a participating village in managing a Village Revolving Fund and all aspects relevant to cooperative lending operations, such as risk assessment, loan assessment, loan administration, and accounting and record keeping; and
- (c) the Village Revolving Fund groups shall have collected deposits from its members such that the ratio of group savings to funds made available by ADB shall be at least 20:80. This ratio shall be maintained throughout the operation of the Village Revolving Fund.

11. All funds withdrawn from the imprest account for the purpose of the Village Revolving Funds shall be deposited in bank accounts at commercial banks acceptable to ADB and maintained by respective LWU units of district level before disbursement to individual borrowers. MAF shall ensure that all service provider agreements between the RO and LWU units contain provisions that mandate contracted LWU units to submit monthly progress and financial reports to the RO, the respective PCCs, and the PSC, on the outcomes and sustainability of the village revolving fund program.

12. The average size of loans from a Village Revolving Fund shall be less than \$300 equivalent and no loan to an individual borrower shall be in excess of \$500 equivalent per individual borrower.

III. Other Matters

Environment

13. Lao PDR shall ensure that (a) the facilities to be constructed, upgraded or renovated and the equipment to be provided under the Project are designed, constructed, operated and maintained in compliance with applicable environmental laws and regulations of Lao PDR, ADB's Environment Policy and the initial environmental examination prepared for the Project; (b) all mitigation measures detailed in the EMP are implemented and monitored to a satisfactory standard, and (c) implementation of the EMP is reported to ADB as part of the quarterly Project reports.

Ethnic Groups

14. Lao PDR shall ensure that the EGDP prepared for the Project is implemented. In particular, Lao PDR shall ensure that (a) participatory approaches are fully utilized to enable full participation of ethnic groups in decision making; and (b) capacity building such as literacy and numeracy trainings shall be widely provided to ethnic groups.

Resettlement

15. Lao PDR shall cause DLF, the RO and PIUs to comply with ADB's Policy on Involuntary Settlement and ensure that land to be acquired for any civil works is clear of occupation and not under any use as defined by ADB's Policy on Involuntary Resettlement.

Gender

16. Lao PDR shall ensure that the gender action plan prepared for the Project is fully implemented in a timely manner, and that adequate resources are allocated for this purpose. In particular, Lao PDR shall cause PIUs to (a) promote women's participation in village based training programs such that approximately half of all trainees are women, and (b) encourage women's participation in Village Revolving Fund groups at a level of at least 50 (fifty) percent of all the group members.

Anticorruption

17. MAF shall establish controls and procedures for flow of funds, financial information, accountability and audits, and develop adequate safeguards to ensure compliance with ADB's Anticorruption Policy and to protect assets from fraud, waste and abuse. The RO shall conduct periodic physical inventories of fixed assets and stocks, and ensure that periodic reconciliation is performed among different offices. All external costs related to the audits and investigations shall be borne by the Project. MAF shall ensure that it is known to officials and workers of the RO, all PAFOs, all PIUs and all related DAFEOS, and villagers of participating villages to whom to report on suspected fraud, waste or misuse of Project resources and property.

Performance Monitoring and Evaluation

18. Lao PDR shall ensure that project performance monitoring and evaluation is conducted for each project Part and Component. IFAD Impact Management, which uses a household asset index and malnutrition among children under 5 years of age as mandatory indicators, shall be used for baseline survey.

Review

19. Lao PDR and ADB along with IFAD and SDC shall jointly conduct reviews of the Project at least twice a year throughout the entire Project implementation period. In addition to these reviews, a comprehensive midterm review shall be carried out in the fourth year of Project implementation addressing social and gender impacts, progress in implementation of the EGDP, implementation procedures, procurement performance, compliance with covenants in this Financing Agreement in addition to actual physical and financial progress of the Project.