
GRANT NUMBER 0144-LAO (SF)

GRANT AGREEMENT
(Special Operations)

(Sustainable Natural Resource Management and Productivity Enhancement Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 23 MARCH 2009

GAS:LAO 37579

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 23 March 2009 between LAO PEOPLE'S DEMOCRATIC REPUBLIC (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant for the purposes of the Project described in Schedule 1 to this Grant Agreement;

(B) the Project will be carried out by each of Savannakhet Provincial Administration Authority, Sekong Provincial Administration Authority, Salavane Provincial Administration Authority, Attapeu Provincial Administration Authority and Champassak Provincial Administration Authority, respectively (hereinafter each called a "Province"), and for this purpose the Recipient will make available to each Province a portion of the proceeds of the Grant provided for herein upon terms and conditions satisfactory to ADB;

(C) the Recipient has also applied to the International Fund for Agricultural Development ("IFAD") a grant in an estimated amount equivalent to fifteen million Dollars (\$15,000,000), for the purposes of providing cofinance to the Project;

(D) the Recipient has also applied to ADB for technical assistance to promote environmental and social safeguard capacity development, and for such purposes ADB has agreed to provide a technical assistance grant up to the equivalent of seven hundred thousand Dollars (\$700,000) (the "Technical Assistance"); and

(E) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and each Province;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made

applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) “Agricultural Producer Groups” means any agricultural producer group, established (whether or not established under law), to govern the arrangements surrounding any form of agricultural production;

(b) “Consulting Guidelines” means ADB’s Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers dated February 2007, as amended from time to time;

(c) “EMP” means the Environmental Management Plan as referred to in paragraph 32 of Schedule 4 to this Grant Agreement;

(d) “Ethnic Group Development Framework” means the Indigenous Peoples Development Framework prepared by the Recipient and approved by ADB on 10 October 2008;

(e) “Ethnic Group Development Plan” has the meaning given in paragraph 38 of Schedule 4 to this Grant Agreement;

(f) “GIS” has the meaning given in paragraph 3(i)(a) of Schedule 1 to this Grant Agreement;

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

(h) “Grievance Redress Mechanism” has the meaning given in paragraph 27 of Schedule 4 to this Grant Agreement;

(i) “Guidelines” has the meaning given in paragraph 16 of Schedule 4 to this Grant Agreement;

(j) “HIV/AIDS Awareness and Prevention of Human Trafficking Program” means as referred to in Supplementary Appendix J of the RRP;

(k) “IEE” means the Initial Environmental Examination of the Project prepared by the Recipient and approved by ADB on 30 September 2008;

(l) “IFAD” has the meaning given in Recital C to this Grant Agreement;

(m) “IFAD Grant Agreement” means the agreement between the Recipient and IFAD, whereby IFAD agrees to provide an estimated amount equivalent to fifteen million Dollars (\$15,000,000) for the purposes of the Project;

(n) “Implementing Agency” means in respect of a Provincial Grant Allocation, the Province to which such Provincial Grant Allocation is provided;

(o) “MAF” means the Ministry of Agriculture and Forestry of the Recipient or any successor thereto;

(p) “MOF” means the Ministry of Finance of the Recipient;

(q) “Needs Assessments” means the needs assessment included in Supplementary Appendix B to the RRP;

(r) “PAFO” has the meaning given in paragraph 3(i) of Schedule 1 to this Grant Agreement;

(s) “PCO” means the Project Coordination Office as referred to in paragraph 4 of Schedule 4 to this Grant Agreement;

(t) “Poor Districts” means those districts identified as poor districts in Table 1 of Appendix 10 of the RRP;

(u) “Poor Households” means those districts with the highest proportion of poor households as set forth in Table 1 of Appendix 10 of the RRP;

(v) “PPMES” means Project Performance Monitoring and Evaluation System as referred to in paragraph 46 of Schedule 4 to this Grant Agreement;

(w) “PPO” means Provincial Project Office as referred to in paragraph 6 of Schedule 4 to this Grant Agreement;

(x) “Procurement Guidelines” means ADB’s Procurement Guidelines dated February 2007, as amended from time to time;

(y) “Procurement Plan” means the procurement plan for the Project dated 1 December 2008 and agreed between the Recipient and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(z) “Project Advance Account” means each account opened at a commercial bank satisfactory to ADB, into which an amount of the Grant shall be deposited, such amount being acceptable to ADB;

(aa) “Project Executing Agency” for the purposes of, and within the meaning of, the Grant Regulations means MAF which is responsible for the carrying out of the Project;

(bb) “Project facilities” means facilities or equipment provided pursuant to the Project;

(cc) “Province” has the meaning given in Recital B to this Grant Agreement;

(dd) "Provincial Grant Allocation" means the amount of the Grant to Provinces in accordance with Appendix 5 of the RRP;

(ee) "Ranking Mechanism" has the meaning given in paragraph 18 of Schedule 4 to this Grant Agreement;

(ff) "Resettlement Framework" means the resettlement framework, prepared by the Recipient and approved by ADB on 30 September 2008;

(gg) "Resettlement Plan" has the meaning given in paragraph 37 of Schedule 4 to this Grant Agreement;

(hh) "RRP" means the Report and Recommendation of the President of ADB regarding the Project;

(ii) "Rural Livelihood Improvement Program" means the IFAD-funded project to promote rural livelihood in Attapeu Province;

(jj) "Subproject" means a specific subproject included or proposed to be included in the Project for financing from the proceeds of the Grant under Component B of the Project;

(kk) "Subsidiary Grant Agreement" means each agreement between the Recipient and a Province referred to in Section 3.02 (a) of this Grant Agreement whereby the Recipient agrees to provide a Province with its respective Provincial Grant Allocation;

(ll) "Water User Groups" means any water user group established (whether or not established under law), to govern the arrangements surrounding an irrigation program; and

(mm) "Works" means construction or civil works to be financed out of the proceeds of the Grant, 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 Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Agreement an amount of twenty million Dollars (\$20,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. (a) The Recipient shall make available the proceeds of the Grant together with other funds required for the Project to each of the five Provinces, in accordance with their respective Provincial Grant Allocation, with each Province entering a separate Subsidiary Grant Agreement upon terms and conditions satisfactory to ADB.

(b) The Recipient shall cause each Province to apply the proceeds of the Grant to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.03. The Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods, Works and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.04. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.05. Withdrawals from the Grant Account in respect of Goods, Works and consulting services shall be made only on account of expenditures relating to

(a) Goods that are produced in and supplied from and Works and consulting 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 and consulting services that meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.06. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2015 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Grant Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, each Subproject, the Goods financed out of the proceeds of the Grant, and any relevant records and documents.

Section 4.03. The Recipient shall take all action that shall be necessary on its part to enable each Province to perform its obligations under the Project Agreement, and shall not take or permit any action that would interfere with the performance of such obligations.

Section 4.04. (a) The Recipient shall exercise its rights under each Subsidiary Grant Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

(b) No rights or obligations under any Subsidiary Grant Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

ARTICLE V

Suspension and Cancellation

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations:

(a) any Province shall have failed to perform any of its obligations under the Project Agreement;

(b) any party shall have failed to perform any of its obligations under a Subsidiary Grant Agreement to which it is a party; and

(c) the IFAD Grant Agreement shall have become liable for suspension or cancellation.

ARTICLE VI

Effectiveness

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

(a) the Project Agreement shall have been duly executed and delivered on behalf of each Province respectively and shall have become fully legally valid, binding and enforceable upon each such Province respectively in accordance with its terms;

(b) each of the five Subsidiary Grant Agreements in form and substance satisfactory to ADB, shall have been duly executed and delivered by each Province on behalf of each party thereto, and shall have become fully legally valid, binding and enforceable upon each such party in accordance with their terms;

(c) the IFAD Grant Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant 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; and

(d) the PCO and each PPO shall have been established and the Project Director shall have been appointed, as provided in paragraphs 4, 5, and 6 of Schedule 4 to this Grant Agreement.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of each party thereto and is legally binding upon such parties in accordance with its terms; and

(b) each Subsidiary Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of each party thereto and is legally binding upon such parties in accordance with its terms.

Section 6.03. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

For the Recipient

Ministry of Finance
23 Singha Road
Vientiane, Lao PDR

Facsimile Numbers:

(856 21) 900 926
(856 21) 412 142

For ADB


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

Facsimile Numbers:

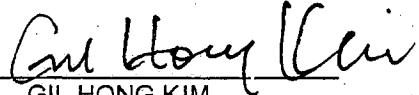
(632) 636-2444
(632) 636-2231

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant 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 
H.E. MRS. VIENGTHONG SIPHANDONE
Vice Minister
Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
GIL-HONG KIM
Country Director
LAO Resident Mission

SCHEDULE 1

Description of the Project

Impact and Outcome

1. The Project's expected impact is more sustainable natural resource management and improved natural resources-based livelihoods.
2. The Project's expected outcome is enhanced institutional capacity at provincial and national levels to manage natural resource-based developments and increased agricultural productivity investments.

Project Scope

3. The Project consists of the following components:

Component A: Capacity Building for Agriculture and Natural Resource Sector Management

This component is comprised of five subcomponents:

- (i) Improving land-suitability assessment, land use classification and zoning, and participatory land use mapping in participating provincial agriculture and forestry offices ("PAFOs") by:
 - (a) providing geographic information system ("GIS") equipment;
 - (b) training PAFO and district staff in land suitability and participatory land use mapping, social analysis of land rights, and GIS and information management techniques;
 - (c) procuring digital data sets and facilitating the preparation of land-suitability and land-use maps; and
 - (d) providing the funds to operate a resource mapping facility that will among other things compare interpreted data sets with the physical environment that they represent (i.e. 'ground truthing').
- (ii) Improving compliance with ADB's social and environmental safeguard policies and other social and gender development policy issues by:
 - (a) updating the Needs Assessment by reviewing the needs of administrative offices in Provinces and districts such as the provincial governors' office, PAFOs, transport departments, planning and

investment departments, environment departments, and social affairs departments; and

- (b) developing the capacity of administrative offices in Provinces and districts to identify and screen technically, socially, and economically sound investments and incorporate social and environmental safeguards and other social and gender development issues in the appraisal process, and the impact monitoring process through formal training and on the job training.
- (iii) Developing investment appraisal techniques for financial and economic analysis and risk assessment:
 - (a) at the national level for land allocations of more than 100 ha; and
 - (b) at the provincial level for land allocations up to 100 ha.
 - (iv) Strengthening the sustainability and financial independence of Agricultural Producer Groups and Water User Groups, including by:
 - (a) giving members the capacity to negotiate with private sector investors;
 - (b) providing support for development, operations, management, and monitoring of Agricultural Producer Groups, including Water User Groups;
 - (c) providing training and technical skills to facilitate and monitor contract farming arrangements, and mobilize the participation of Poor Households (by setting up revolving funds, and providing financial management, accounting, book-keeping and estimation of the contributions of group members); and
 - (d) providing resources to Agricultural Producer Groups and Water User Groups to support sustaining their operations.
 - (v) Enhancing the capacity of MAF's policy development agencies to prepare policy alternatives for higher levels of government to consider, by:
 - (a) preparing an assessment of agricultural policy needs;
 - (b) assisting the Recipient develop policy in areas related to land concessions, such as establishing a long-term

Schedule 1

land valuation framework and developing the policy framework to use the necessary special data tools, and convene meetings with Provinces to codify and confirm the process of land concession awards;

- (c) conducting an assessment of existing land concessions in the territory of each Province and preparing a detailed data-base that clearly identifies the concessionaire, and the location and size of the concession, and allows for posting non-commercial information on a public web-site;
- (d) recording the commercial terms and conditions of individual land concessions in a confidential database within MAF to be used to monitor the concessionaire's compliance and facilitate administration of the Recipient's commitments;
- (e) supporting the improvement of existing regulations on Agricultural Producer Groups and Water Users Groups by reviewing such regulations to consider the establishment, promotion and sustainability of such groups and issuing new guidelines or regulations if necessary to improve efficiency and effectiveness; and
- (f) assisting the Recipient with policy responses to:
 - (A) modernize agriculture to respond to global trends that favor adopting bio-safety standards and clean-agriculture technologies based on good agricultural practices and processing;
 - (B) develop internal control systems and traceability mechanisms to conform with sanitary and phytosanitary measures of the World Trade Organization; and
 - (C) overcome technical barriers to trade, rules of origin, and market access restrictions, and respond to trade and environment regulations, among others.

Component B: Implementation of Agricultural Productivity and Commercialization Subprojects

This component will support Subprojects that:

- (i) promote agricultural sector transition (intensification, diversification, value-addition);

- (ii) protect natural resources;
- (iii) develop and commercialize enterprise;
- (iv) produce food crops; and
- (v) contribute to reducing poverty.

Component C: Project Management

This component will provide technical support for the implementation of Subprojects and provide resources to establish and operate a project management structure at the national level and the provincial level.

4. The Project is expected to be completed by 30 June 2015.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works and consulting services and other items of expenditure 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 and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category)

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 Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant that 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 Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest account at the Bank of Lao People's Democratic Republic. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed

arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount equal to \$2,000,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures for up to \$100,000 and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB.

Conditions for Withdrawals from Grant Account

6. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account for a Province until:

- (a) the Project Executing Agency has opened a Project Advance Account at the national level and such Province has opened a Project Advance Account at the provincial level; and
- (b) all staff at the PCO and the relevant PPO have appointed and accounting and financial management systems have been established to the satisfaction of ADB.

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Sustainable Natural Resource Management and Productivity Enhancement Project)				
CATEGORY				ADB FINANCING
	Item	Amount Allocated \$ '000		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Civil Works	231.1		100 percent of total expenditure *
2	Vehicles and Equipment	974.7		
2A	Four-Wheel Drive Vehicles		186.4	100 percent of total expenditure *
2B	Motorcycles		92.9	100 percent of total expenditure *
2C	Equipment		695.4	100 percent of total expenditure *
3	Consulting Support for Implementation	5,129.5		
3A	International Specialists		2,460.8	100 percent of total expenditure *
3B	National Specialists		2,464.4	100 percent of total expenditure *
3C	Specialist Support		204.3	100 percent of total expenditure *
4	Special Studies	1,179.6		100 percent of total expenditure *
5	Subprojects	6,341.3		
5A	Commercialization		4,528.2	55.5 percent of total expenditure*
5B	Natural Resource Management		1,813.1	100 percent of total expenditure*
6	Training ^{/a}	614.8		
6A	Staff Training		359.9	100 percent of total expenditure *
6B	GIS Training		254.9	100 percent of total expenditure *
7	Implementation and Supervision	5,529.0		
7A	Incremental Staff		2,174.8	87.6 percent of total expenditure
7B	Implementation and Management ^{/b}		3,354.2	100 percent of total expenditure *
	Total	20,000.0		

* Exclusive of all local taxes and duties.

^{/a} This item (i) includes initial appraisal training, advanced appraisal training, training in interpretation of digital data, gender sensitivity training, and GIS training; but (ii) excludes training for producer groups, to be financed 100% by IFAD.

^{/b} Excluding operations of Decentralized Irrigation Development and Management Sector Project Water User Groups (DIDMSP WUGs), to be financed 100% by IFAD.

SCHEDULE 3

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of 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 Grant 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
Community Contracting

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Recipient 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.

4. Domestic Preference. The Recipient may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

5. National Competitive Bidding. The Recipient and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Recipient's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Recipient and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Recipient and ADB.

6. Community Participation in Procurement. The Recipient may use community participation in procurement for Works contracts for \$30,000 or less in accordance with the agreed procedures set out in the Procurement Plan.

C. Conditions for Award of Contract

7. The Recipient shall not award any Works contracts financed under the Grant until:

(a) ADB has approved any relevant IEE, Resettlement Plan or Ethnic Minority Development Plan for the Subproject and disclosed it as required by ADB's Public Communications Policy (2005);

(b) the Subproject is in compliance with paragraphs 30 to 43 of Schedule 4 to this Grant Agreement; and

(c) the Subproject shall have acquired or made available free from encumbrances all land necessary for such Subproject in accordance with the laws of the Recipient and Schedule 4 to this Grant Agreement.

D. Selection of Consulting Services

8. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Recipient shall apply quality- and cost-based selection for selecting and engaging consulting services.

9. The Recipient shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Consultants' Qualifications Selection for contract packages less than or equal to \$200,000

E. Industrial or Intellectual Property Rights

10. (a) The Recipient 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) The Recipient 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.

11. The Recipient 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.

F. ADB's Review of Procurement Decisions

12. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project and Operation of Project Facilities; Financial Matters

I. PROJECT EXECUTION AND IMPLEMENTATION ARRANGEMENTS

A. Project Executing Agency

1. MAF shall be the Project Executing Agency and shall be responsible for the overall execution and supervision of the Project. The Recipient shall cause MAF and each Province to follow the implementation arrangements set forth in this Schedule.

B. Project Implementing Agency

2. Each Province shall be an Implementing Agency and shall be responsible for day to day coordination, implementation, and administration of the Project in their respective Province and all activities required for carrying out the successful implementation of the Project. Such activities include:

- (a) the procurement of Goods and Works;
- (b) construction supervision;
- (c) maintenance of separate project accounts;
- (d) monitoring and reporting upon implementation of the Project; and

(e) the provision of coordination, support, and liaison activities, including with contractors, district offices and relevant government departments especially the Department of Roads.

3. The Recipient, through MAF, shall follow the implementation arrangements set forth in this Schedule.

C. Project Coordination Office

4. The Recipient shall ensure that a project coordination office shall be established to serve as the Project Coordination Office ("PCO") for the Project and that such PCO shall oversee day-to-day operations of the Project, including in particular disbursement, accounting, logistics management, reporting, monitoring, supervision, organization of research activities, local training and study tours, and coordinating with MAF, relevant government departments, IFAD, development partners and the Provinces.

5. The Recipient shall also ensure that (a) the PCO is managed and operated by a full-time Project director, acceptable to ADB; and (b) the Project director is supported by competent full-time personnel acceptable to ADB.

D. Provincial Project Office

6. Except as set forth in paragraph 7 of this Schedule 4, the Recipient shall ensure that each Province establishes a provincial project office within its planning office or PAFO office (as agreed with ADB) to serve as the Provincial Project Office for such Province (each such office a "PPO").

7. The Recipient shall ensure that the provincial project office established for the Rural Livelihoods Improvement Program shall be used as the PPO for the Project work to be conducted in Attapeu Province and for all purposes shall be considered a PPO.

8. Each PPO shall (a) coordinate the Project's work among the line-agencies in such Province and to support the PCO in Project implementation; (b) work with district and kumban (village cluster) staff to assist them identify and prioritize proposed subproject investments based on specified selection criteria; and (c) supervise the implementation of Subprojects contracted by the MAF.

9. The Recipient shall also ensure that (a) the PCO and each PPO are managed and directed by a full-time Project director, acceptable to ADB; and (b) each such Project director is supported by competent full-time personnel acceptable to ADB, including financial management and procurement staff.

E. National Project Steering Committee

10. Within 2 months of the Effective Date, the Recipient shall establish a National Project Steering Committee to ensure inter-agency coordination and provide direction to the Project Coordination Office. The National Project Steering Committee shall be chaired by the Vice-Minister of Agriculture and Forestry with representation from MOF, MAF's Department of Planning, the National Agricultural and Forestry Extension Services, National Committee for Rural Development and Poverty Eradication, the National Agriculture and Forestry Research Institute, the National Land Management Authority, the Water Resources and Environmental Administration, the Ministry of Planning and Investment, a representative from each Province, and other relevant persons or agencies. The National Project Steering Committee shall first meet within two (2) months of the Effective Date and shall meet at least semi-annually thereafter.

F. Provincial Coordination Committee

11. Within 2 months of the Effective Date, the Recipient shall establish or cause to be established a Provincial Coordination Committee in each Province to ensure inter-agency coordination and provide direction to the respective PPO. Each Provincial Coordination Committee will be chaired by the Vice-Governor of the relevant Province, Provincial Agriculture and Forestry PAFOs; Provincial Department of Planning, the Provincial Agricultural and Forestry Extension Services, the Provincial Land Management Authority, the Water Resources and Environmental Administration together with relevant district governors and other relevant persons or agencies. Each Provincial Coordination Committee shall first meet within two (2) months of the Effective Date and shall meet at least semi-annually thereafter.

II. FINANCING

A. Counterpart Funding

12. The Recipient shall ensure and shall cause to ensure that (a) all local and foreign currency counterpart financing necessary for the Project shall be provided in time to enable completion of the Project activities; (b) additional counterpart financing shall be provided if necessary for any shortfall of funds or cost overruns; and (c) counterpart financing for compensation and entitlements under any Resettlement Plan are fully provided directly to affected people prior to their displacement from housing and land.

B. Operation and Maintenance

13. The Recipient shall be responsible for the operation and maintenance of any Subprojects and shall provide sufficient counterpart financing to ensure that such Subprojects are operated and maintained.

C. Cofinancing

14. The Recipient and MAF shall (a) keep ADB informed of their discussions on any proposed financing arrangements with other public, commercial, bilateral, and multilateral financial institutions on the Project, and (b) provide ADB with an opportunity to comment on any resulting proposals. The Recipient shall consider ADB's views before finalizing any such proposals.

D. Subproject Identification and Selection

15. The Recipient shall ensure that awareness and outreach campaigns will be conducted in all districts, particularly in Poor Districts, to generate awareness of the Project, in particular on (a) the rules and guidelines for Subproject formulation; (b) the application process; (c) the screening criteria and prioritization calculation; and (d) the implementation process.

16. The Recipient shall ensure that MAF, through the PCO (a) prepare guidelines to assist proponents identify eligible Subprojects acceptable to ADB (the "Guidelines"); (b) widely disseminate such Guidelines throughout the Provinces; and (c) ensure that PPOs screen potential Subprojects to ensure such Subprojects conform to such Guidelines. At a minimum such Guidelines shall contain the selection criteria set forth in paragraph 17 below.

17. The Recipient shall, and shall cause the Project Executing Agency and each Province to, ensure that all Subprojects meet to ADB's satisfaction, the selection criteria and other implementation arrangements set forth in this Schedule 4. The Recipient shall control and monitor Subprojects to ADB's satisfaction. The Recipient and ADB shall ensure that each Subproject meets the selection criteria set forth below.

(a) The Subproject has an economic internal rate of return (EIRR) greater than 10-12 percent.

(b) The Subproject conforms to the Recipient's Sixth Five-Year National Socio-Economic Development Plan (2006-2010) (and any subsequent national plan

consistent with this Agreement) and provincial agricultural development strategies, acceptable to the Recipient and ADB.

(c) The Subproject will be an agriculture project based upon proven technical parameters and implementation arrangements within the Province or in a location with a similar agricultural and ecological environment.

(d) The Subproject will be identified and prioritized based on the Needs Assessment, and any updates thereto, and will be further selected and designed taking consultations with beneficiaries and affected persons into account.

(e) The Subproject reflects the requirement for a reasonable balance of activities among communities and districts.

(f) The Subproject will have a significant potential impact on poverty reduction and targets Poor Districts, Poor Households, ethnic groups, and women.

(g) The Subproject's plans have been published in a form, manner and place that make them available to affected people, and public comments have been invited and comments, including objections, have been published.

(h) The Subproject must be technically feasible and represent the least-cost alternative, taking into account the need to provide for a reasonable increase in demand in the future.

(i) The Subproject is to be conducted within an institutional framework that demonstrates the likelihood that it will be financially and institutionally sustainable, including by covering operation and maintenance costs.

(j) The equipment, materials, and other resources can be acquired in, or transported to, the Subproject location without unreasonable obstruction or delay.

(k) The Subproject can be completed within the Project implementation period.

(l) The Subproject is in compliance with the laws of the Recipient including its environmental requirements, ADB's *Environment Policy* (2002), ADB's *Forest Policy*, and the environmental requirements set forth in paragraphs 30 to 35 of this Schedule 4. For Subprojects that require an environmental assessment, the environmental assessment is included in the Subproject proposal, and the government's environmental clearance is obtained prior to the award of the Subproject contract.

(m) The Subproject will not have significant land acquisition or involuntary resettlement. If either land acquisition or involuntary resettlement or damage to assets is required for a Subproject, it will be conducted in conformity with ADB's *Involuntary Resettlement Policy* (1995), the Resettlement Framework, and the provisions of paragraphs 36 to 37 of this Schedule 4.

(n) The Subproject complies with the conditions on indigenous peoples in paragraph 38 of this Schedule 4.

(o) The Subproject's design, planning and implementation will promote equal access to resources, services and opportunities.

(p) The Subproject does not overlap or duplicate the activities of the Greater Mekong Region's Biodiversity Corridor or the activities of other development partners directed at agriculture and natural resource management.

(q) The Subproject does not finance kumban structures unless the express approval of ADB has been obtained.

18. The Recipient shall ensure that each PPO prepares a ranking mechanism, acceptable to ADB, to prioritize the selection of Subprojects in a manner consistent with the evaluation criteria set forth in Appendix 5 of the RRP (the "Ranking Mechanism"). In addition, the Recipient shall ensure that Subprojects are prioritized if they:

(a) contribute to the Greater Mekong Regions East West Corridor or Biodiversity Conservation Initiative; or

(b) are Subprojects that relate to climate change issues such as climate adaptation or the Climate Change Fund.

19. The Recipient shall ensure that the Provincial Coordination Committee applies the Ranking Mechanism to the selection of Subprojects. The National Project Steering Committee shall approve Subprojects based on the Provincial Grant Allocation.

III. CAPACITY AND GOVERNANCE

A. Capacity Needs Assessment

20. Within 6 months of the Effective Date, MAF shall (a) conduct a capacity and institutional needs assessment that updates and provides details on the Needs Assessment and (b) thereafter develop a capacity and institutional needs program that addresses the update to the Needs Assessment.

B. Component A (iv)

21. The Recipient shall encourage Poor Households to join and participate in agricultural and water producer associations to strengthen their capacity to negotiate mutually beneficial arrangements with private sector investors.

22. The Recipient shall ensure that each participating Agricultural Producer Group and Water User Group sets a quota of 40 percent of its membership from Poor Households.

C. Governance and Anticorruption

23. The Recipient shall comply with and shall cause MAF to carry out the Project in accordance with ADB's *Anticorruption Policy* (1998, as amended to date) and that relevant provisions of ADB's Anticorruption Policy are included in all bidding documents for the

Project. The Recipient acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project and shall ensure DGPC and MAF to cooperate fully with any such investigation and to extend all necessary assistance as may be necessary for successful completion of the investigation.

24. The Recipient shall develop policy in areas related to land concessions, such as establishing a long-term land valuation framework, developing the policy framework to use the necessary special data tools, and convening meetings with Provinces to codify and confirm the process of awarding land concessions.

25. The Recipient shall record the commercial terms and conditions of individual concessions in a confidential database within MAF. The Recipient shall use such database to monitor the concessionaire's compliance with the terms and conditions of its concession and to facilitate administration of the Recipient's commitments under the concessions.

26. Within six (6) months of the Effective Date, the Recipient shall initiate review of its existing regulations on Agricultural Producer Groups and Water User Groups to consider how Agricultural Producers Groups and Water Users Groups are established, promoted, and sustained. The Recipient shall issue new guidelines or regulations, including Ministerial Decisions, if necessary as a result of such review to improve the effectiveness and efficiency of regulations concerning Agricultural Producer Groups and Water User Groups.

D. Grievance Redress Mechanisms

27. Within six (6) months of the Effective Date, MAF shall prepare a grievance redress mechanism, acceptable to ADB, to receive and resolve complaints and grievances relating to all matters relating to the Project including resettlement and environment (the "Grievance Redress Mechanism"). The Recipient shall (a) make public the existence of this Grievance Redress Mechanism, through public awareness campaigns in the Provinces; (b) review and address grievances of stakeholders in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively to respond to them.

E. Project Website

28. Within 6 months of the Effective Date, MAF shall create a Project website as a part of their existing web-site to disclose information about various matters on the Project, including procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods and services procured.

F. Transparency

29. The Recipient shall ensure information regarding the Project is publicly available through publication of leaflets and their availability in the provinces and districts, through publication in newspapers and information on the radio.

IV. SAFEGUARDS AND SOCIAL ISSUES

A. Environmental Safeguards

30. The Recipient and MAF shall each ensure that the Project is implemented in accordance with all environmental safeguard measures. MAF shall adequately supervise the construction works carried out by private contractors to ensure compliance with these environmental safeguard measures.

31. The Recipient and MAF shall each ensure that the proposed Project and any Subproject is undertaken and all facilities and associated equipment are assessed, operated and maintained in accordance with applicable laws and regulations of the Recipient, ADB's *Environment Policy (2002)*, the Environmental Assessment and Review Framework, and environmental polices and safeguard operational rules of the Recipient.

32. The Recipient and MAF shall each ensure that before any Subproject is proposed for financing (a) the Project is screened; and (b) if necessary, an environmental assessment is conducted and an environmental management plan (each an "EMP") is prepared in accordance with the Environmental Assessment and Review Framework and ADB's Environment Policy for such Subproject and such environmental assessment and EMP are approved by ADB and relevant government agencies.

33. The Recipient and each Province shall implement and comply with the outcomes of the IEE, any environmental assessment for a Subproject, and any mitigation measures identified in any EMP, during the design, construction and operation of the Project. The Recipient shall and shall cause MAF to monitor and audit the implementation of the EMP, and shall report to ADB twice a year on the implementation of the EMP.

34. The Recipient and MAF shall each ensure that the outcomes of any environmental impact assessment and mitigation measures identified in any EMP are approved by ADB and relevant government agencies and are complied with during the design, construction and operation of the Project. The Recipient shall, and shall cause MAF to, monitor and audit the implementation of the EMP, and report to ADB twice a year on the implementation of the EMP. Such reports may be included within the Recipients regular progress reporting to ADB on the Project.

35. The Recipient and MAF shall each ensure that construction (a) does not take place within national parks, wild and planted forests, and wildlife sanctuaries, without prior environmental clearances obtained from all relevant government agencies; and (b) avoids monuments of cultural or historical importance.

B. Land Acquisition and Resettlement

36. The Recipient and MAF shall ensure that all construction contracts under any Subprojects contain binding requirements for construction contractors to (a) fully reinstate pathways, other local infrastructures, and agricultural land to at least their pre-project condition upon the completion of construction; and (b) adequately record the condition of roads, agricultural land and other infrastructure prior to transport of material and construction commencement.

37. The Recipient shall ensure, and shall cause MAF to ensure that (a) any land and rights-of-way required by the Project are made available in a timely manner; and (b) the Project and any Subprojects shall not require involuntary resettlement. If land acquisition and/or involuntary resettlement are required for any Subproject, and/or damage to crops, trees, or any other asset are likely to occur under a Subproject, MAF shall prepare a resettlement plan (each such plan a "Resettlement Plan") for such Subproject in accordance with (a) applicable laws and regulations; (b) the Resettlement Framework; and (c) ADB's *Involuntary Resettlement Policy* (1995) and related requirements. Such Resettlement Plan shall be submitted to ADB for review and approval, prior to the start of any land acquisition or activities likely to cause damage and no later than the award of the relevant civil works contract. Any such Resettlement Plan shall be prepared based on the final detailed design for such Subproject, and such Resettlement Plan shall be disclosed to affected people in accordance with ADB's applicable information disclosure requirements for resettlement.

C. Ethnic Groups

38. The Recipient shall ensure that the Project and all Subprojects are carried out in accordance with the specific measures on ethnic groups set forth in (a) the relevant Ethnic Group Development Plan and the agreed Ethnic Group Development Framework; (b) ADB's Policy on Indigenous Peoples (1998); and (c) the Recipient's laws and regulations on ethnic groups. In the case of any difference between the Recipient's laws and regulations and ADB's Policy on Indigenous Peoples, ADB's policy shall prevail. Based on the Ethnic Group Development Framework, an Ethnic Group Development Plan shall be prepared for any proposed Subprojects involving ethnic groups (each such plan an "Ethnic Group Development Plan"). Such Ethnic Group Development Plan shall be submitted to ADB for review and approval prior to the start of any civil works for the specific section of the Subproject that involves ethnic groups. No work shall start in an area involving ethnic groups until such Ethnic Groups Development Plan has been approved.

D. Labor

39. The Recipient, through MAF, shall ensure that (a) all civil works contracts require contractors employed under the project to incorporate minimum workplace occupational safety norms, including the core labor standards as identified by the fundamental International Labor Organization conventions; (b) provide timely payment of wages to all workers including male and female workers (with such requirements being included in civil works contract and monitored by construction supervision consultants); (c) provide women's employment, where appropriate, and pay equal wages to the women employees for equivalent work; (d) not employ child labor in project activities, in compliance with the relevant laws and regulations of the Recipient; and (e) monitor the implementation of these provisions including, the effects of the Project on women through collection and compilation of gender-disaggregated data, where relevant, including in the relevant Resettlement Plan, social development action plan, and PPMES and provide monitoring reports of these activities to ADB.

E. Health

40. The Recipient and MAF shall cause the contractors to disseminate information on the risks of socially and sexually transmitted diseases, including HIV/AIDS and malaria, to their employees during Project implementation.

41. The Recipient shall develop and fully implement the agreed HIV/AIDS Awareness and Prevention of Human Trafficking Program in the construction camps, towns, and rural areas of the Project area. Such Program shall strengthen the capacity of the relevant agencies (through the Lao Women's Union at national, provincial and district levels) to effectively plan and implement its elements. The MAF's Gender Unit shall also be strengthened to facilitate these activities set out above. The Recipient shall monitor the Program.

F. Gender

42. The Recipient shall ensure that the gender development measures provided in the agreed Summary Poverty Reduction and Social Strategy are undertaken in order to promote the participation of women in Project activities. The Recipient shall further ensure that district and village resettlement committees established according to the agreed Resettlement Plan include representatives from the district Women's Union, the village Women's Union, female representatives from affected households, including women from severely affected households, households headed by women, and from households of ethnic groups. The Recipient shall ensure that there are capacity building trainings for such female committee members.

43. The Recipient shall (a) conduct gender sensitization training on gender and resettlement for its relevant staff, the district-level resettlement committees, and the Women's Union; and (b) ensure that women leaders and youth from affected households of all major ethnic groups in the Project area and the Women's Union and Youth Union are included in the HIV/AIDS Awareness and Prevention of Human Trafficking Program.

V. PLANNING, MONITORING AND REVIEW

A. Disbursements and Performance Checks

44. The Recipient shall ensure that the PCO, reviews invoices from firms engaged in implementing the Project, and makes payments within fifteen (15) working days of their receipt or inform the contractors of any shortfalls in its ability to make payment of the invoices.

45. The Recipient shall allow and facilitate ADB's representatives to conduct spot and random checks on (a) flow of funds and their use for the Project in accordance with the Grant Agreement; (b) work-in-progress; and (c) Project implementation.

B. Project Performance Monitoring and Evaluation System

46. During Project implementation, the Recipient shall cause MAF, through the PCO, to develop a Project Performance Monitoring and Evaluation System ("PPMES")

including baseline performance monitoring and systematic Project performance monitoring, including benefits monitoring and evaluation acceptable to ADB and the other donors. MAF shall carry out surveys (a) at the start of Project implementation to establish baseline data, (b) at Project mid-term, (c) at the time of Project completion; and (d) not later than six months after Project completion, to evaluate the Project benefits. Data to be compiled and analyzed for the purpose of performance monitoring and evaluation shall be in a format acceptable to ADB. MAF shall propose key indicators which shall be acceptable to ADB.

C. Annual Budget and Operating Plan

47. By 31 August of each year of Project implementation, MAF shall cause each Province to and each Province shall provide ADB with an annual budget and operating plan for the following fiscal year.

D. Semiannual Reviews

48. The Recipient and ADB shall together carry out semiannual reviews of the Project during the Project implementation period. The semiannual reviews shall include an examination of budgetary allocations for the Project, operation and maintenance costs, staffing, implementation arrangements and achievements under the Project. The review shall include assessing progress for each Project component, identifying difficulties and constraints, and determining ways to overcome them.

E. Midterm Review

49. The Recipient and ADB shall jointly carry out a midterm review of the Project during the third year of Project implementation or at any other time as may be agreed upon by the Recipient and ADB. The results of the midterm review shall be discussed by the Recipient and ADB and if required, appropriate corrective measures shall be formulated to ensure successful Project implementation and achievement of the Project objectives by the Grant Closing Date.