
GRANT NUMBER 0144-LAO(SF)

PROJECT AGREEMENT

(Sustainable Natural Resource Management and Productivity Enhancement Project)

between

ASIAN DEVELOPMENT BANK

and

SAVANNAKHET PROVINCIAL ADMINISTRATION AUTHORITY

SEKONG PROVINCIAL ADMINISTRATION AUTHORITY

SALAVANE PROVINCIAL ADMINISTRATION AUTHORITY

ATTAPEU PROVINCIAL ADMINISTRATION AUTHORITY

and

CHAMPASSAK PROVINCIAL ADMINISTRATION AUTHORITY

DATED 23 MARCH 2009

PAG: LAO 37579

PROJECT AGREEMENT

PROJECT AGREEMENT dated 23 March 2009 between ASIAN DEVELOPMENT BANK ("ADB") and SAVANNAKHET PROVINCIAL ADMINISTRATION AUTHORITY, SEKONG PROVINCIAL ADMINISTRATION AUTHORITY, SALAVANE PROVINCIAL ADMINISTRATION AUTHORITY, ATTAPEU PROVINCIAL ADMINISTRATION AUTHORITY, AND CHAMPASSAK PROVINCIAL ADMINISTRATION AUTHORITY (each a "PROVINCE").

WHEREAS

(A) by a Grant Agreement of even date herewith between Lao People's Democratic Republic (the "Recipient") and ADB, ADB has agreed to provide to the Recipient a grant of twenty million Dollars (\$20,000,000) on the terms and conditions set forth in the Grant Agreement, but only on the condition that a portion of the proceeds of the Grant be made available to each Province in accordance with their respective Provincial Grant Allocations and that each Province agrees to undertake certain obligations towards ADB as set forth in this Project Agreement; and

(B) each Province, in consideration of ADB entering into the Grant Agreement with the Recipient, has agreed to undertake the obligations set forth in this Project Agreement;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Definitions

Section 1.01. (a) Wherever used in this Project Agreement, unless the context otherwise requires, the terms defined in the Grant Agreement and in the Grant Regulations (as so defined) have the respective meanings therein set forth.

(b) In addition to the terms referred to in paragraph (a) of this Section, the following term, wherever used in this Project Agreement, unless the context otherwise requires, has the following meaning: "Provincial Project" means that part of the Project that will be carried out in a Province with the Provincial Grant Allocation for the respective Province.

ARTICLE II

Particular Covenants

Section 2.01. (a) Each Province shall carry out its Provincial Project with due diligence and efficiency, and in conformity with sound administrative, financial, engineering, environmental and agricultural practices.

(b) In the carrying out its respective Provincial Project and operation of the Project facilities, each Province shall perform all obligations set forth in the Grant Agreement to the extent that they are applicable to it.

Section 2.02. Each Province shall make available, promptly as needed, the funds, facilities, services equipment, land and other resources that are required, in addition to the proceeds of the Grant, for the carrying out of its respective Provincial Project.

Section 2.03. (a) In carrying out its respective Provincial Project, each Province shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, all Goods and services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 and Schedule 4 to the Grant Agreement. ADB may refuse to finance a contract where Goods or services have not been procured under procedures substantially in accordance with those agreed between the Recipient and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. Each Province shall carry out its respective Provincial Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Each Province shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Each Province shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of the Project facilities used for its respective Provincial Project to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, each Province undertakes to insure, or cause to be insured, the Goods to be imported for its respective Provincial Project and to be financed out of the proceeds of the Grant against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such Goods.

Section 2.06. Each Province shall maintain, or cause to be maintained, records and accounts adequate to identify the Goods and services and other items of expenditure financed out of the proceeds of the Grant, to disclose the use thereof in

its respective Provincial Project, to record the progress of its respective Provincial Project and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.07. (a) ADB and each Province shall cooperate fully to ensure that the purposes of the Grant will be accomplished.

(b) Each Province shall promptly inform ADB of any condition that interferes with, or threatens to interfere with, the progress of its respective Provincial Project, the performance of its obligations under this Project Agreement or any Subsidiary Grant Agreement, or the accomplishment of the purposes of the Grant.

(c) ADB and each Province shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, and in particular its respective Provincial Project, each Province, and the Grant.

Section 2.08. (a) Each Province shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Grant and the expenditure of the proceeds thereof; (ii) the Goods and services and other items of expenditure financed out of such proceeds; (iii) the Project, including its respective Provincial Project; (iv) the administration, operations and financial condition of such Province; and (v) any other matters relating to the purposes of the Grant.

(b) Without limiting the generality of the foregoing, each Province shall furnish to ADB quarterly reports on the execution of its respective Provincial Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as ADB may agree for this purpose, each Province shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by each such Province of its obligations under this Project Agreement and the accomplishment of the purposes of the Grant.

Section 2.09. (a) Each Province shall (i) maintain separate accounts for its respective Provincial Project and for its overall operations; (ii) have such accounts and related financial statements (balance sheet, statement of income and expenses, and related 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; and (iii) furnish to ADB, promptly after their preparation but in any event not later than 6 months after the close of the fiscal year to which they relate, 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 Grant proceeds and compliance with the financial covenants of the Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language. Each Province shall furnish to ADB such further information concerning such

accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) In addition to annual audited financial statements referred to in paragraph (a) of this Section, each Province shall furnish to ADB:

- (i) within thirty (30) days after the end of the first six (6) months of each fiscal year, unaudited semiannual financial statements on its operations for such six month period; and
- (ii) within three (3) months after the end of each fiscal year, unaudited annual financial statements on its operations for such fiscal year.

(c) Each Province shall enable ADB, upon ADB's request, to discuss such Province's financial statements and its financial affairs from time to time with the auditors appointed by each such Province pursuant to Section 2.09(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 such Province unless such Province shall otherwise agree.

Section 2.10. Each Province shall enable ADB's representatives to inspect its respective Provincial Project, the Goods financed out of the proceeds of the Grant all other plants, sites, works, properties and equipment of the each Province, and any relevant records and documents.

Section 2.11. (a) Each Province shall, promptly as required, take all action within its powers to maintain its legal existence, to carry on its operations, and to acquire, maintain and renew all rights, properties, powers, and privileges that are necessary in the carrying out of the Project.

(b) Each Province shall at all times conduct and implement its respective Provincial Project in accordance with sound administrative, financial, environmental and agricultural practices, and under the supervision of competent and experienced management and personnel.

(c) Each Province shall, at all times, operate and maintain its equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound administrative, financial, engineering, environmental, agricultural, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, a Province shall not sell, lease or otherwise dispose of any of its assets that shall be required for the efficient carrying on of its operations or the disposal of which may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, each Province shall apply the proceeds of the Grant to the financing of expenditures on its respective Provincial Project in accordance with the provisions of the Grant Agreement and this Project

Agreement, and shall ensure that all Goods and services financed out of such proceeds are used exclusively in the carrying out of its respective Provincial Project.

Section 2.14. Except as ADB may otherwise agree, each Province shall duly perform all its obligations under its respective Subsidiary Grant Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under such Subsidiary Grant Agreement.

Section 2.15. Each Province shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its establishing statutes and shall afford ADB an adequate opportunity to comment on such proposal prior to taking any action thereon.

ARTICLE III

Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Grant Agreement shall come into force and effect. ADB shall promptly notify each Province of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Grant Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Grant Agreement.

ARTICLE IV

Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, facsimile or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

Facsimile Numbers:

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

For Savannakhet Provincial Administration Authority

Provincial Administration Office
Nalao Village, Kaisone Phomvihhan District
Nalao Road, Savannakhet Province
P.O. Box 06
Lao People's Democratic Republic

Telephone Number:

(856 41) 212 298

Facsimile Number:

(856 41) 212 972

For Sekong Provincial Administration Authority

Provincial Administration Office
Nonemixay Village, Lamam District
Saisekong Road, Sekong Province
Lao People's Democratic Republic

Telephone Number:

(856 38) 211 209

Facsimile Number:

(856 38) 211 013

For Salavane Provincial Administration Authority

Wat Kang Village, Salavan District
Road Number 20, Salavan Province
Lao People's Democratic Republic

Telephone Number:

(856 34) 212 011

Facsimile Number:

(856 34) 211 270

For Attapeu Provincial Administration Authority

Provincial Administration Office
Boungxay Village, Samakhixay District
Attapeu Province
Lao People's Democratic Republic

Telephone Number:

(856 36) 211 865

Facsimile Number:

(856 36) 211 373

For Champassak Provincial Administration Authority

Provincial Administration Office
Thasalakham Village, Pakse District
Saisekong Road Champasak Province
Lao People's Democratic Republic

Telephone Number:

(856 31) 212 175

Facsimile Number:

(856 31) 213 590

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of each Province may be taken or executed by its respective Governor or by such other person or persons as s/he shall so designate in writing notified to ADB.

(b) Each Province shall furnish to ADB sufficient evidence of the authority of each person who will act under paragraph (a) of this Section, together with the authenticated specimen signature of each such person.

Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any


default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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.


ASIAN DEVELOPMENT BANK

By 
GIL-HONG KIM
Country Director
LAO Resident Mission

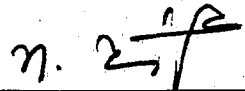
SAVANNAKHET PROVINCIAL
ADMINISTRATION AUTHORITY

By 
KHAMPEUI PHANTHACHONE
Authorized Representative

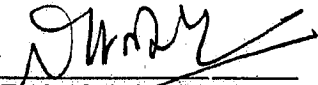
SEKONG PROVINCIAL
ADMINISTRATION AUTHORITY

By 
LIENG KHAMPHOUNE
Authorized Representative

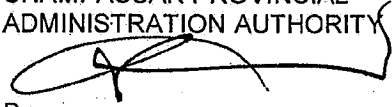
SALAVANE PROVINCIAL
ADMINISTRATION AUTHORITY

By 
THONGDY CHANTHAVONG
Authorized Representative

ATTAPEU PROVINCIAL
ADMINISTRATION AUTHORITY

By 
KENGTHONG SISOUVONG
Authorized Representative

CHAMPASSAK PROVINCIAL
ADMINISTRATION AUTHORITY

By 
SOMSANIT BOUTIVONG
Authorized Representative