
GRANT NUMBER 0117-LAO(SF)

GRANT AGREEMENT
(Special Operations)

(Greater Mekong Subregion Sustainable Tourism Development Project)
(LAO PDR Component)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 14 NOVEMBER 2008

GAS: LAO 38015

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 14 November 2008 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 Socialist Republic of Viet Nam has applied to ADB for a loan for the purposes of carrying out the activities of the Project described in a Loan Agreement of [even date] herewith between the Socialist Republic of Viet Nam and ADB (hereinafter called the "Viet Nam Loan Agreement");

(C) ADB has agreed to provide a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions hereinafter set forth; and

(D) ADB has agreed to make a loan to the Socialist Republic of Viet Nam upon terms and conditions set forth in the Viet Nam Loan Agreement.

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) "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;

(b) "CTG" means the community Tourism Group established in accordance with paragraph 7 of Schedule 4 to this Grant Agreement;

(c) “EARF” means the environmental assessment and review framework prepared, agreed between ADB and the Recipient and submitted by the Recipient on 3 April 2008;

(d) “EGDF” means the Ethnic Groups Development Framework prepared and approved by the Recipient on 3 April 2008;

(e) “EMP” means environment management plan;

(f) “GAP” means the gender action plan for the Project that has been prepared and agreed between the Recipient and ADB;

(g) “GMS” means Greater Mekong Subregion;

(h) “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;

(i) “HIV/AIDS” means human immunodeficiency virus/acquired immunodeficiency syndrome;

(j) “IEE” means the initial environmental examination prepared, agreed between ADB and the Recipient and submitted by the Recipient on 3 April 2008 and any initial environmental examination that may be prepared and approved by the Recipient during project implementation;

(k) “LNTA” means the Recipient’s Lao National Tourism Administration and any successor thereto;

(l) “MCST” means the Ministry of Culture, Sports and Tourism of Viet Nam and any successor thereto;

(m) “MOF” means the Recipient’s Ministry of Finance and any successor thereto;

(n) “MTCO” means the Mekong Tourism Coordination Office, located in Thailand;

(o) “NGO” means nongovernmental organization;

(p) “NPSC” means the National Project Steering Committee established in accordance with paragraph 3 of Schedule 4 to this Grant Agreement;

(q) “NTO” means national tourism office;

(r) “Participating Countries” means the Recipient and Viet Nam;

(s) “Participating Provinces” means the provinces included in the Project Area;

(t) “PCU” means the Project Coordinating Unit established in accordance with paragraph 4 of Schedule 4 to this Grant Agreement;

(u) “PIU” means each of the Project Implementation Units established in accordance with paragraph 5 of Schedule 4 to this Grant Agreement;

(v) “PPMS” means the project performance management system;

(w) “PPSC” means the Provincial Project Steering Committee established in accordance with 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 11 August 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 Area” means Bokeo, Champassak, Vientiane, Houaphanh, Saravanh, Oudomxay, Xayaboury, Luang Namtha and Savannakhet Provinces;

(aa) “RF” or “Resettlement Framework” means the Resettlement Framework agreed between ADB and the Recipient and submitted by the Recipient on 3 April 2008;

(bb) “RP” or “Resettlement Plan” means the resettlement plan for the subprojects under Part 1 of the Project, prepared, agreed between ADB and the Recipient and submitted by the Recipient on 3 April 2008, and any resettlement plan that may be prepared and approved by the Recipient during Project implementation;

(cc) “SME” means small and medium enterprise;

(dd) “SPSC” means the Subregional Project Steering Committee established in accordance with paragraph 2 of Schedule 4 to this Grant Agreement;

(ee) “Viet Nam” means the Socialist Republic of Viet Nam; and

(ff) “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 ten million dollars (\$10,000,000).

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. The goods and 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 and 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 3.03. 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 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of goods and services 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 and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2014 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. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (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 Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/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) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient 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 the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. 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 Viet Nam Loan Agreement shall have been duly executed and delivered and all conditions to the effectiveness of the Viet Nam Loan Agreement (other than the condition requiring the effectiveness of this Grant Agreement) shall have been fulfilled; and

(b) The Recipient shall have established the NPSC in accordance with paragraph 3 of Schedule 4 of this Grant Agreement.

Section 5.02. 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 VI

Miscellaneous

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
PO Box 46
23 Singha Road
Vientiane, Lao PDR

Facsimile Number:

(856 21) 41 2142.

For ADB

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

Facsimile Numbers:


(632) 636-2444
(632) 636-2336.

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. VIENGTHONG SIPHANDONE
Authorized Representative

ASIAN DEVELOPMENT BANK

By  _____
GIL-HONG KIM
Country Director
Lao Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to develop a sustainable tourism development Project that creates livelihood opportunities for the poor in Greater Mekong Subregion (GMS), particularly within the Participating Countries. In the Recipient's territory, the Project will be implemented within the Project Area.

2. The Project consists of the following Parts:

Part 1: Model Sustainable Tourism Development Projects Protecting the Environment and Cultural Heritage Developed

This Part will develop two model subprojects, namely the biodiversity protection at the Siphandone Wetland and the Vang Vieng town environmental improvement. The development of the two model subprojects shall include the preparation, establishment, development, construction and/or implementation of:

- (i) heritage-based tourism master plans, zoning and management plans;
- (ii) small tourism-related infrastructure, including access roads, boat landings, pathways and trails, drainage and waste management systems;
- (iii) capacity development and livelihood support programs;
- (iv) a gender and ethnic groups development program;
- (v) a database and geographical information system (GIS) on cultural practices and indigenous knowledge of the area;
- (vi) a public awareness program on natural and cultural resources conservation and protection, respect on cultural heritage, traffic of wildlife and antiquities, efficient waste management practices, HIV and AIDS, and other tourism-related awareness activities;
- (vii) a marketing and promotion program and materials to promote sustainable tourism and cultural products;
- (viii) institutional strengthening and capacity building of agencies in charge of the Project facilities';
- (ix) manuals to prepare and implement future GMS tourism subprojects; and
- (x) a monitoring and evaluation program.

Part 2: Pro-poor community-based and supply-chain tourism projects operational

This Part will develop about eighteen subprojects within the Project Area. The development of the eighteen subprojects will include the preparation, establishment, development, construction and/or implementation of:

- (i) community-based tourism tour products and services;

- (ii) a public awareness program for tourism-related activities;
- (iii) tourism-related supply chain initiatives;
- (iv) capacity of the tourism-related small and medium enterprises (SMEs) and communities;
- (v) small-scale tourism-related infrastructures;
- (vi) a gender and ethnic groups development program;
- (vii) a marketing and promotion program;
- (viii) tourism networks and tourism stakeholder associations;
- (ix) a joint manual, to be prepared in coordination with the government of Viet Nam, to prepare and implement pro-poor tourism initiatives in GMS; and
- (x) a monitoring and evaluation program.

Part 3: GMS Tourism Corridors Developed

This Part will develop subprojects along the north-south economic corridor that links Yunnan Province in the People's Republic of China to the Recipient's territory and Thailand; and the east west economic corridor that links the Recipient's territory with Viet Nam and Thailand. The development of the tourism corridors will include the following activities:

- (i) preparation of tourism development and management plans;
- (ii) construction of tourism-related infrastructure along the corridors, including access roads, parking lots, ticket booths, information centres, walking trails, markets, interpretation and sanitary facilities;
- (iii) development and implementation of a community awareness and livelihood support program;
- (iv) development and provision of tourism management training;
- (v) development and implementation of a marketing and promotion program;
- (vi) development and implementation of a gender and ethnic minorities development program;
- (vii) development and implementation of public awareness program for HIV/AIDS, human trafficking and drug abuse and other tourism-related awareness activities;
- (viii) in coordination with the government of Viet Nam, develop a joint manual on procedures and practices to develop GMS tourism corridors; and
- (ix) development of a monitoring and evaluation program.

Part 4: Human resources in the tourism sector developed

This Part will provide training on (i) small-scale tourism and hospitality operations for master trainers, and (ii) public sector tourism planning and management for public sector officials in tourism sector. This Part will also support the following activities:

- (i) review of the existing training needs assessment for staff in tourism SMEs and public sector tourism officials;
- (ii) revision or development of service standards for SME tourism and hospitality enterprises, and related training standards;
- (iii) development of gender and ethnic sensitive and inclusive training kit and manuals, teacher training materials and case studies, best practices and lessons learned;
- (iv) production of CD ROMs and web-based training materials;
- (v) development and maintenance of a web-based "*Knowledge Center*";
- (vi) translation of training manuals to Lao and other ethnic languages;
- (vii) provision of support to the selected training institutions in each country; and
- (viii) development of a monitoring and evaluation program.

Part 5: Efficient project implementation services are operational

This Part will provide support the management, coordination and implementation of the Project at the central and provincial level.

3. The Project also provides consulting services. The Project is expected to be completed by 31 December 2013.

SCHEDULE 2

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 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, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 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 the Lao PDR. 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 initial and the ceiling amount to be deposited into the imprest

account shall be the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount.

6. The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures 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. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed \$50,000.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (GMS Sustainable Tourism Development Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated \$		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	3,426,000		
1a	Works – Part 1		2,863,000	84 percent of total expenditure
1b	Works – Parts 2, 3 & 4		563,000	90 percent of total expenditure
2	Equipment	426,000		100 percent of total expenditure*
3	Training and Workshops	2,020,000		100 percent of total expenditure*
4	Consulting Services	1,667,000		100 percent of total expenditure*
5	Environmental Management Plan (EMP)	155,000		100 percent of total expenditure*
6	Recurrent Costs	534,000		100 percent of total expenditure*
7	Unallocated	1,772,000		
	Total	10,000,000		

* Exclusive of local tax and duties

SCHEDULE 3

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 Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All goods and works, and consulting services to be financed out of the proceeds of the ADB administered Loan and Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
3. 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

4. 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
Direct 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.

5. National Competitive Bidding. The Recipient's procurement procedures to be followed for national competitive bidding (NCB) shall be those set forth for "Public Bidding" in Prime Minister's Decree No. 03/PM of the Lao People's Democratic Republic, effective 09 January 2004, and Implementing Rules and Regulations effective 12 March 2004, with the clarifications and modifications set out in the Procurement Plan.

C. Conditions for Award of Contract

6. (a) The Recipient shall not award any Works contracts for a subproject until such time as (i) a resettlement plan (RP), where required for that subproject, shall have been approved by ADB pursuant to paragraph 14 of Schedule 4 to this Grant Agreement; (ii) such ADB approved RP shall have been implemented in said specific area by the Recipient pursuant to paragraph 14 of Schedule 4 to this Grant Agreement; and (iii) adequate compensations have been paid to affected people.

(b) The Recipient shall not award any Works contracts for a subproject requiring further environmental analysis, until such time as (i) individual IEEs shall have been prepared for each of the interventions requiring further analysis; and (ii) the IEE has been submitted to ADB for its review and approval.

D. Selection of Consulting Services

7. 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.

8. The Recipient shall apply the following methods 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 Human Resource Development consultants under Part 4 of the Project

9. The Recipient shall recruit the individual consultants for project management, external monitoring of resettlement impacts and project external monitoring, in accordance with procedures acceptable to ADB for recruiting individual consultants.

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. The first two contracts for Works in each Participating Province shall be subject to ADB prior approval and all 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

Project Executing Agency (EA)

1. The Lao National Tourism Administration (LNTA) shall be the EA and shall be responsible for the overall management of the Project.

Subregional Project Steering Committee (SPSC)

2. An SPSC shall be established to oversee overall project implementation at the subregional level. LNTA and the Ministry of Culture, Sports and Tourism (MCST) of Viet Nam shall, respectively, appoint its representatives to sit as members of SPSC. Senior officials of at least a director general level of LNTA and MCST shall alternately chair the SPSC. Representatives from the national tourism offices (NTOs) of other countries within the GMS will be invited as observers to discuss the lessons learned from the demonstration subprojects and potential to replicate them. The Mekong Tourism Coordination Office (MTCO) shall act as a secretariat of the SPSC.

National Project Steering Committee (NPSC)

3. An NPSC shall be established to provide policy guidance, and oversee Project implementation at the national level. The NPSC shall be chaired by a senior official of a director general level of LNTA and its members shall consist of representatives from the Ministry of Planning and Investment (MPI), Ministry of Finance (MOF), Office of the GMS Coordinator within the Water Resources and Environment Administration (WREA), Prime Minister's Office, and the Participating Provinces.

Project Coordination Unit (PCU)

4. A PCU has been established within the office of LNTA. The PCU is headed by a project director (Project Director). The Project Director shall be assisted by a deputy director and at least five staff, who shall be responsible for Project accounting, monitoring and evaluation, environment, natural and cultural heritage, social and gender issue. The PCU shall be responsible for (i) coordinating the Project; (ii) selecting, engaging and managing the consultants; (iii) carrying out procurement activities, (iv) providing necessary data to the auditor and submitting the audited financial statement to ADB on time; (v) monitoring and evaluating the Project; (vi) consolidating Project reports to be submitted to the ADB and the Recipient, and (vii) coordinating with the PCU in Viet Nam, the MTCO and the NTOs of other GMS countries. The PCU shall receive support from the international and national consultants

Project Implementation Unit (PIU)

5. A PIU has been established in each Participating Province to undertake the day-to-day implementation of the Project. Each PIU shall receive guidance from the PCU and shall be responsible for implementing, coordinating, monitoring, and reporting activities at the provincial level. Each PIU shall be headed by a provincial Project Director and shall have a project

Schedule 4

manager and five staff, who shall be responsible for project accounting, monitoring and evaluation, environment, natural and cultural heritage, social and gender issues.

Provincial Project Steering Committee (PPSC)

6. A PPSC shall be established in each Participating Province within three months of the Effective Date. The PPSC shall provide policy guidance to the PIU and shall oversee Project implementation at the provincial level. The PPSC shall consist of representatives from agencies at provincial level that are in charge of natural and cultural heritage site management, urban environment, public works, transportation, borders, and district authorities. The PPSC shall be chaired by a senior official from the provincial government and the PIU shall serve as the secretariat of the PPSC.

Community Tourism Group (CTG)

7. The Recipient shall cause LNTA to ensure that community consultation takes place in every step of Project implementation. For this purpose, the PIUs shall work with each of the participating communities to establish a CTG in each of the participating communities. The CTG may comprise of stakeholders' representatives, the relevant village leaders and mass organizations such as women's union and youth union. The purpose and the main responsibilities of CTG shall be (i) to raise issues of concern to the PIU, (ii) to ensure that the concerns are adequately reflected in the implementation program, (iii) to assist in the implementation of the community awareness program and (iv) to ensure that the community is involved in the community based monitoring and evaluation. The PIU shall invite the CTG to attend the regular PPSC meetings.

Counterpart Funding

8. The Recipient shall provide counterpart funds for Project implementation on time. LNTA shall cause the Participating Provinces to make timely submission to the MOF of annual budgetary appropriation request in respect of the Project and MOF shall promptly disburse the appropriated funds during each year of Project implementation.

Subprojects Selection Criteria

9. The Recipient and LNTA shall ensure that selection of subprojects under Parts 2 and 3 of the Project, as described in Schedule 1 to this Grant Agreement, shall be carried out in accordance with the selection criteria, which have been agreed between the Recipient and ADB.

Human Resources Training

10. The Recipient shall ensure that priority for the training to be provided under Part 4 of the Project, as described in Schedule 1 to this Grant Agreement, shall be given to master trainers, trainers and public sector officials in tourism sector from the Participating Provinces. The Recipient shall further ensure that the selection of master trainers, trainers and public sector officials shall be carried out in accordance with the selection criteria, which have been agreed between the Recipient and ADB.

Operation & Maintenance

11. Within 36 months after the Effective Date, the Recipient shall cause the local government of Vang Vieng to prepare and implement a mechanism to ensure that public assets such as roads, drainage and solid waste management can generate sufficient revenues. The Recipient shall further ensure that the revenues generated by the public asset will be used for O&M.

12. Within 36 months after the Effective Date, the Recipient shall cause the provincial tourism department of Champassak to increase the current entry fee to the Siphandone area to a level sufficient to cover the required O&M of the tourist site facilities. Such increase shall be at least 50% of the current entry fee. At least 50% of the revenues generated from the entry fee will be used for the O&M of the facilities at the tourism site.

Vang Vieng District Regulation

13. Within 12 months after the Effective Date, the Recipient shall ensure that the local government of Vang Vieng shall issue district regulations, acceptable to ADB, on sanitation requiring, among others (a) connecting sullage drains and septic tanks to drains in high and medium density areas, and to drains or properly designed and constructed soakaways in low density areas; (b) providing a septic tank that meets prescribed standards in each household or business located in high and medium density areas; and (c) providing on-site treatment facilities in hotels, restaurants, hospitals, and industrial enterprises to treat their wastewater

Involuntary Resettlement

14. The Recipient shall ensure that it shall not approve any Subproject that involves significant involuntary resettlement according to ADB's *Policy on Involuntary Resettlement* (1995). The Recipient shall further ensure that all land and right-of-way required for the Project shall be made available in a timely manner and adequate compensations shall be paid to affected people prior to any civil works contract's award. Any involuntary resettlement shall be carried out in accordance with the resettlement framework (RF) agreed upon between the Recipient and ADB, and ADB's *Policy on Involuntary Resettlement* (1995). A RP shall be prepared for each Subproject involving land acquisition or resettlement and shall be submitted to ADB for review and approval prior to any related civil works contract's award. The RPs, that have been prepared and agreed by the Recipient and ADB, for the sample Subprojects, shall be updated and provided to ADB for review and approval following detailed design and prior to civil work contracts' award. Draft RPs and draft updated RPs shall be disclosed to affected people prior to submission to ADB for review and approval.

Indigenous Peoples

15. The Recipient shall ensure that the Project shall be implemented in accordance with the applicable laws and regulations of the Recipient and ADB's *Policy on Indigenous Peoples* (1998) and shall carry out the specific measures on Indigenous Peoples stipulated in the ethnic groups development framework (EGDF) that has been agreed between the Recipient and ADB. The Recipient shall further ensure that Indigenous Peoples have equitable opportunities to access scholarships and to participate in training, recruitment, income generation activities under the Project.

Environment

16. The Recipient shall comply with its environmental laws and regulations and ADB's *Environment Policy* (2002). If there is any discrepancy between the Recipient laws and regulations and ADB's *Environment Policy*, ADB's *Environment Policy* requirements will apply. It will ensure that the design, construction, operation and implementation of each subproject will be carried out in accordance with the initial environmental examination (IEE), the environmental management plan (EMP) and the environmental assessment and review framework (EARF). In each Participating Province, a cluster IEE shall be prepared for subprojects to be developed under Parts 2 and 3 of the Project. However, if any of the screening results indicate the need for environmental analysis, individual IEEs shall be prepared for each subproject requiring further analysis and submitted to ADB for approval before any contract awards. Any adverse environmental impacts arising from the construction, operation and implementation of the subprojects will be minimized by implementing the environmental mitigation and management measures, and other recommendations specified in the EMP. The Recipient shall ensure construction-phase environmental requirements of the EMP are incorporated in bidding documents and civil works contracts. The Recipient shall provide certification that unexploded ordinance has been cleared before it submits an IEE to ADB for approval or, if an IEE has already been approved, before commencement of civil works.

Gender

17. The Recipient shall ensure that the Project is carried out in accordance with ADB's *Policy on Gender and Development (1998)* and the gender strategy contained in the gender action plan (GAP) for the Project that has been prepared and agreed between the Recipient and ADB. The Recipient shall further ensure, and shall cause LNTA and the Participating Provinces to ensure, that the GAP and the specific actions and targets contained therein, are included in the project and provincial rolling work plans. In particular, at least 40% of capacity development activities and 50% of scholarships for master trainers are reserved for qualified women. Further, at least 30% of the PCU and the PIUs staff shall be women. Activities identified in the GAP shall be implemented in a timely manner and shall have adequate resources allocated for its preparation and implementation. Gender-related targets and indicators are included in the Project performance monitoring system (PPMS). By mid-term, each Participating Province shall develop a provincial gender plan for the tourism sector.

Project Performance Management System (PPMS)

18. The Recipient shall ensure that the PPMS, developed for the Project, is integrated into the information management system of LNTA and the provincial tourism departments. The PIUs shall be responsible for ensuring that the PPMS is implemented and updated, in consultation with the local communities, to (i) examine the Project's technical performance, (ii) evaluate the delivery of the planned facilities, (iii) assess the achievement of the Project's outputs and outcome, (iv) ensure compliance with social safeguards, and (v) measure the Project's benefits. Data shall be disaggregated by sex, ethnic group and income level where feasible. The PIUs shall prepare the annual PPMS reports and submit to the PCU. Subsequently, the PCU shall consolidate and submit the report to ADB.

Anti Corruption Measures

19. The Recipient shall comply with, and shall cause LNTA to comply with ADB's Anticorruption Policy (1998, as amended to date) and the Policy relating to *Enhancing ADB's Role in Combating Money Laundering and the Financing of Terrorism* (2003). The Recipient (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; (ii) agrees to cooperate fully with and to cause LNTA to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation; and (iii) agrees to refrain, and cause LNTA to refrain, from engaging in money laundering activities or financing of terrorism and shall allow, and cause LNTA to allow, ADB to investigate any violation or potential violation of these undertakings.

20. Without limiting the generality of the preceding paragraph, the Recipient shall (a) ensure that LNTA and the PIUs conduct periodic monitoring inspections on all contractors' activities related to fund withdrawals and settlements and (b) ensures that, and shall cause LNTA and the PIUs to ensure that, all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of LNTA, PIUs and all contractors, suppliers, consultants and other service providers as they relate to the Project.

21. Within 6 months of the Effective Date, LNTA shall create a Project website 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/services procured.

22. Within 6 months of the Effective Date, LNTA shall prepare a grievance redress mechanism, acceptable to ADB, and establish a task force at the PCU to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances relating to resettlement and environmental issues. The task force shall (i) make public the existence of this Grievance Redress Mechanism, through public awareness campaign, (ii) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (iii) proactively and constructively respond to them.