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LOAN NUMBER 2780-LAO (SF)  
(Additional to Loan No. 1933-LAO [SF])

LOAN AGREEMENT  
(Special Operations)

(Nam Ngum River Basin Development Sector Project – Additional Financing)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 15 NOVEMBER 2011

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LAS: LAO 33356

## **LOAN AGREEMENT (Special Operations)**

LOAN AGREEMENT dated 15 November 2011 between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

### **WHEREAS**

(A) by loan agreement (Loan No. 1933-LAO[SF]) dated 7 February 2003, as amended since ("Ongoing Loan Agreement"), ADB made a loan to the Borrower from ADB's Special Funds resources in the amount of eleven million three hundred and forty one thousand Special Drawing Rights (SDR 11,341,000) for the purposes of the Project described in Schedule 1 to the Ongoing Loan Agreement ("Ongoing Project");

(B) the Borrower has applied to ADB for an additional loan for the purposes of financing the scaling up of the well performing Ongoing Project. The additional financing Project is described in Schedule 1 to this Loan Agreement ("Project"); and

(C) ADB has agreed to make an additional loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

## **ARTICLE I**

### **Loan Regulations; Definitions**

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

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(c) "DAFO" means a District Agriculture and Forestry Office in each Project District, or any successor thereto;

(d) “EA” or “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MAF, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(e) “EARF” or “Environmental Assessment and Review Framework” means the environmental assessment and review framework prepared under the Ongoing Project and adopted for the Project, including any update thereto, submitted by the Borrower and cleared by ADB;

(f) “EGDP” or “Ethnic Groups Development Plan” means the ethnic groups development plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(g) “EMP” means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(h) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(i) “GAP” means the Gender Action Plan prepared for the Project, as updated and agreed between the Borrower and ADB;

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

(k) “IEE” or “Initial Environmental Examination” means initial environmental examination reports prepared under the Ongoing Project, including any update thereto to accommodate replicated and consolidated activities under the Project, and cleared by ADB;

(l) “Imprest Account(s)” means each one of the first generation imprest account and second generation imprest accounts described in paragraph 6 (a) of Schedule 3 to this Loan Agreement;

(m) “Indigenous Peoples Safeguards” means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(n) “IWMU” means the Integrated Watershed Management Unit within MAF, or any successor thereto acceptable to ADB;

(o) “Kip” means the currency of the Borrower;

(p) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(q) “MAF” means the Ministry of Agriculture and Forestry of the Borrower, or any successor thereto;

(r) “MOF” means the Ministry of Finance of the Borrower, or any successor thereto;

(s) “MoNRE” means the Ministry of Natural Resources and Environment of the Borrower, or any successor thereto;

(t) “NAFES” means the National Agriculture and Forestry Extension Service within MAF, or any successor thereto;

(u) “NNRB” means Nam Ngum River Basin;

(v) “Ongoing Loan Agreement” has the meaning given thereto in Recital (A) of this Loan Agreement;

(w) “Ongoing Project” has the meaning given thereto in Recital (A) of this Loan Agreement;

(x) “ONPM” means the Office of National Project Manager as described in the PAM;

(y) “Outputs” means the outputs of the Project as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(z) “PAFO” means a provincial Agriculture and Forestry Office in each Project Province, or any successor thereto;

(aa) “PAM” means the Project administration manual for the Project dated 28 July 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(bb) “Procedural Guidelines for VLC” means the Procedural Guidelines for Voluntary Land Contribution for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(cc) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(dd) “Procurement Plan” means the procurement plan for the Project dated 28 July 2011 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(ee) “Project Districts” means districts of (i) Pek, Phaxay, and Phoukout in Xiengkhouang Province; (ii) Toulakhom, Viengkham, Phonhong, Xaysomboum, Hom, Kasy, Vang Vieng, Feuang, Hinheup, and Keo Oudom in Vientiane Province; (iii) Pak Ngum, and Xaythani in Vientiane Capital region; and (iv) Phoukhoun in Luangprabang Province;

(ff) “Project facilities” means offices to be used, equipment to be provided and the facilities to be constructed, upgraded, or rehabilitated under the Project;

(gg) “Project Provinces” means Xiengkhouang Province, Vientiane Province, Luangprabang Province, and Vientiane Capital region of the Borrower;

(hh) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress in implementation of and compliance with the EMP, including any corrective and preventative actions;

(ii) "SPS" or "Safeguard Policy Statement" means ADB's Safeguard Policy Statement (2009);

(jj) "WLCPs" means watershed landscape continuum plans developed under the Ongoing Project; and

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

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to three million one hundred and nineteen thousand Special Drawing Rights (SDR3,119,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 February and 15 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

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

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which 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 which meet such other eligibility requirements as shall have been specified by ADB from time to time.

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

### **ARTICLE IV**

#### **Particular Covenants**

Section 4.01. (a) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall, and shall cause: (i) ONPM, MoNRE, NAFES, and each DAFO to maintain separate accounts for the Project; (ii) ONPM to have such accounts and related financial statements consolidated and 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) ONPM to furnish to ADB, as soon as available but in any event not later than 9 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for Imprest Accounts and statement of expenditures), all in the English language; and (iv) ONPM to 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 Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by ONPM pursuant to subsection (a) hereinabove, 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 ONPM unless ONPM shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Special Operations Loan Regulations: the Ongoing Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to the agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Special Operations Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

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

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

#### For the Borrower

Ministry of Finance  
23<sup>rd</sup> Singha Road  
P.O Box 46  
Vientiane Capital  
Lao People's Democratic Republic

Facsimile Numbers:

(856-21) 412142  
(856-21) 900926.

#### For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-8899.

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


LAO PEOPLE'S DEMOCRATIC REPUBLIC

By

  
VIENGTHONG SIPHANDONE  
Authorized Representative

ASIAN DEVELOPMENT BANK

By

  
CHI NAI CHONG  
Country Director  
Lao PDR Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to improve integrated watershed management in NNRB by consolidating and replicating best practices of the Ongoing Project in Project Districts.
2. The Project shall comprise the following outputs in the Project Districts:
  - (a) **Output 1: NNRB Committee Secretariat Strengthened for Sub-Basin Management**, including (i) selection of priority sub-basins for water-based natural resources management, consultation with all public and private sector stakeholders, and establishment of working groups for each selected sub-basin; (ii) training on sub-basin management planning; (iii) development and dissemination of sub-basin management plans; and (iv) development of guidelines and procedure for sub-basin management plans, their implementation and monitoring.
  - (b) **Output 2: District Land Use Planning Enhanced**, including (i) dissemination of land-based WLCPs more widely to districts in NNRB for further dissemination to communities through the development of village development plan; (ii) training of district staff on incorporation of concept and approach of WLCPs into district land use zoning; and (iii) updating WLCPs based on sub-basin management plans.
  - (c) **Output 3: Agricultural Support Services Improved for the Sustainability**, including (i) capacity development of khet (village cluster) extension service centers on effective management and technical skills; (ii) training of farmers to foster farmers' leadership and networks; (iii) implementing extension services with income generating activities, including seed and seedling production, and cattle fattening; and (iv) institutionalizing the village development fund mechanism.
  - (d) **Output 4: Institutional and Human Resource Capacity Developed for Project Implementation**, including (i) coordination of various activities and agencies involved in the implementation of the Project; (ii) facilitation of inter-sector information sharing on natural resources management, including hydro-metrological data, sub-basin and sub-watershed profiling, and consultation and training program for local governments and communities; and (iii) improvement of a planning and review process for the decentralized activities.
3. The Project includes consulting services to (a) facilitate the Project management and implementation; (b) strengthen the institutional and operational capacity of the EA; and (c) strengthen the technical capacity of the farmers.
4. The Project is expected to be completed by 28 February 2015.

**SCHEDULE 2****Amortization Schedule****(Nam Ngum River Basin Development Sector Project – Additional Financing)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 February 2020	64,979
15 August 2020	64,979
15 February 2021	64,979
15 August 2021	64,979
15 February 2022	64,979
15 August 2022	64,979
15 February 2023	64,979
15 August 2023	64,979
15 February 2024	64,979
15 August 2024	64,979
15 February 2025	64,979
15 August 2025	64,979
15 February 2026	64,979
15 August 2026	64,979
15 February 2027	64,979
15 August 2027	64,979
15 February 2028	64,979
15 August 2028	64,979
15 February 2029	64,979
15 August 2029	64,979
15 February 2030	64,979
15 August 2030	64,979
15 February 2031	64,979
15 August 2031	64,979
15 February 2032	64,979
15 August 2032	64,979
15 February 2033	64,979
15 August 2033	64,979
15 February 2034	64,979
15 August 2034	64,979
15 February 2035	64,979
15 August 2035	64,979
15 February 2036	64,979
15 August 2036	64,979

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\* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the relevant provisions of the Special Operations Loan Regulations.

Schedule 2

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 February 2037	64,979
15 August 2037	64,979
15 February 2038	64,979
15 August 2038	64,979
15 February 2039	64,979
15 August 2039	64,979
15 February 2040	64,979
15 August 2040	64,979
15 February 2041	64,979
15 August 2041	64,979
15 February 2042	64,979
15 August 2042	64,979
15 February 2043	64,979
15 August 2043	64,987
Total	3,119,000

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\* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the relevant provisions of the Special Operations Loan Regulations.

### **SCHEDULE 3**

#### **Allocation and Withdrawal of Loan Proceeds**

##### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

##### Interest Charge

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

##### Reallocation

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

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

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

##### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

##### Imprest Account and Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall cause, immediately after the Effective Date, at the Banks acceptable to ADB, (i) the first generation Imprest Account established and managed by MOF at the Bank of the Lao PDR; (ii) 1

Schedule 3

second generation Imprest Account established and managed by ONPM; (iii) 2 second generation imprest accounts established and managed by NAFES, 1 for village development fund and 1 for other expenditures; (iv) 1 second generation Imprest Account established and managed by Department of Water Resources of MoNRE; and (v) 10 second generation Imprest Accounts established and managed by DAFOs targeted for Output 3 and 4. The Imprest Accounts shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The Imprest Accounts shall only be used for the purposes of the Project. The currency of the first generation Imprest Account and second generation Imprest Account established and managed by ONPM shall be the Dollar, and the currency of all remaining second generation Imprest Accounts shall be Kip. The aggregate amount to be deposited into the Imprest Accounts shall not exceed the lower of (i) the estimated expenditure to be financed from the Imprest Accounts for the first 6 months of Project implementation; or (ii) the equivalent of 10% of the Loan amount.

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

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with training and workshops, and Consulting Services for preparatory work of Project-supported activities, subject to a maximum amount of \$80,000.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Nam Ngum River Basin Development Sector Project – Additional Financing)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR) Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Works	94,000	100% of total expenditure claimed
2	Vehicles and Equipment	187,000	100% of total expenditure claimed
3	Training and Workshops	544,000	100% of total expenditure claimed
4	Community Development	1,344,000	100% of total expenditure claimed
5	Consulting Services	463,000	100% of total expenditure claimed
6	Incremental Operating Costs	268,000	100% of total expenditure claimed
7	Interest During Implementation	42,000	100% of total amount due
8	Unallocated	177,000	
	Total	3,119,000	

## **SCHEDULE 4**

### **Procurement of Goods, Works and Consulting Services**

#### General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall be procured on the basis of the Shopping method of procurement.

#### Community Participation in Procurement

4. The Borrower may use community participation in procurement for Works contracts for water supply systems, and small scale irrigation systems in accordance with the agreed procedures set out in the Procurement Plan.
5. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower 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.

#### Domestic Preference

6. The Borrower 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.

#### Conditions for Award of the Contract

7. The Borrower shall not award any Works contract which involves environmental impacts until the Borrower has incorporated the relevant provisions from the EMP into the Works contract.
8. The Borrower shall not award any Works contract which involves involuntary resettlement impacts.
9. The Borrower shall not award any Works contract which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final EGDP, and obtained ADB's clearance of such EGDP.

Consulting Services

10. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply Consultants' Qualifications Selection for selecting and engaging Consulting Services.

11. The Borrower shall recruit the individual consultants for providing capacity development and integrated watershed management support.

Industrial or Intellectual Property Rights

12. (a) The Borrower 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 Borrower 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.

13. The Borrower 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.

ADB's Review of Procurement Decisions

14. First contracts procured under the Shopping and all contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## **SCHEDULE 5**

### **Execution of Project; Financial and Other Matters**

#### Implementation Arrangements

1. The Borrower and MAF shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

#### Project Implementation Unit

2. The Borrower, through MAF, shall ensure that: (a) a Project implementation unit is established within each DAFO for effective Project implementation; and (b) adequate key staff is appointed in each of the implementation units including, an environmental officer and a safeguard officer responsible for monitoring safeguards compliance of the Project activities within the district.

#### Counterpart Funding

3. The Borrower shall ensure that (a) counterpart funds with respect to staff salaries within the Project management structures, Project facilities, and land are made available in a timely manner to assure efficient implementation of the Project activities; and (b) additional counterpart financing is provided for any shortfall of funds or cost overruns.

#### Target Village Selection Criteria

4. The Borrower, through MAF, shall ensure that the following criteria are met before selecting any villages, for maintaining expected Project benefits, while implementation of the Project activities in such villages:

- (i) villages that are included in the district development plans;
- (ii) villages in the upper watersheds with some exception where justified;
- (iii) villages which collectively have a strong desire and readiness to participate;
- (iv) villages which have a significant number of poor and/or ethnic households;
- and
- (v) villages that have limited access.

#### Operation and Maintenance

5. The Borrower, through appropriate authorities, shall ensure proper operation and maintenance of the Project facilities.

Community Awareness and Beneficiary Participation

6. The Borrower, through MAF, shall ensure that the Project Districts promote active community awareness and stakeholder participation in the planning, implementation, and performance monitoring of the Project activities, through semiannual review and planning workshops and consultations.

Governance and Anticorruption

7. The Borrower shall, and shall cause MAF, MoNRE, ONPM, IWMU, NAFES, PAFOs, and DAFOs to, (i) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

8. The Borrower shall, and shall cause MAF, MoNRE, ONPM, IWMU, NAFES, PAFOs, and DAFOs to, ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Project Website

9. The Borrower, through MAF, shall ensure that within 2 months of the Effective Date, a Project webpage within its existing website of the Ongoing Project, is developed, accessible by the general public, to disclose information about various matters concerning the Project, including general Project related information, procurement, the Project progress, and contract details in English and Laotian languages. The webpage shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and the Project activities. 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, Works, and Consulting Services procured.

Environment

10. The Borrower shall, and shall cause MAF to, ensure that the preparation, design, construction, implementation, and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EARF, IEE, and the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Voluntary Land Contribution

11. The Borrower shall, and shall cause MAF to, ensure that: (a) all land and all rights-of-way required for the Project are made available to the Works contractor in

accordance with the schedule agreed under the related Works contract; (b) the Project activities do not involve any involuntary land acquisition and resettlement; and (c) all Project activities involving voluntary land contribution are implemented in compliance with: (i) all applicable laws and regulations of the Borrower; and (ii) all measures and requirements set forth in the Procedural Guidelines for VLC.

#### Indigenous Peoples

12. The Borrower shall, and shall cause MAF to, ensure that the preparation, design, construction, implementation and operation of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the EGDP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Safeguards-Related Provisions in Bidding Documents and Works Contracts

13. The Borrower shall, and shall cause MAF to, ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, the Procedural Guidelines for VLC, and the EGDP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide MAF with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the Procedural Guidelines for VLC, and the EGDP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-Project condition upon the completion of construction.

#### Safeguards Monitoring and Reporting

14. The Borrower shall, and shall cause MAF to, do the following:

- (a) submit quarterly Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;

- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the Procedural Guidelines for VLC, and the EGDP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, the Procedural Guidelines for VLC, or the EGDP promptly after becoming aware of the breach.

#### Prohibited List of Investments

15. The Borrower shall, and shall cause MAF to, ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Grievance Redress Mechanism

16. The Borrower, through MAF, shall ensure that within 90 days of the Effective Date, a complaint and problem management mechanism acceptable to ADB is developed, and a task force is functioning effectively to: (a) review and document eligible complaints of the Project stakeholders; (b) proactively address grievances; (c) provide the complainants with notice of the chosen mechanism/action; and (d) prepare periodic reports to summarize the number of complaints received and resolved, and final outcomes of the grievances and chosen actions and make these reports available to ADB upon request. Eligible complaints include those related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds and other irregularities, and grievances due to any safeguards or gender issues.

#### Gender and Development

17. The Borrower, through MAF, shall ensure that (a) the GAP is implemented and monitored in a timely manner and reported to ADB annually in accordance with principles of ADB's Policy on Gender and Development (1998) and adequate resources are allocated for this purpose; (b) adequate support and guidance is provided to the Project Provinces, Districts and ONPM in implementation of the GAP; (c) targets under the GAP are achieved including, but not limited to: (i) at least 30% female participation in Project training sessions for government staff and villagers; and (ii) promotion of joint land use certificates with the names of husband and wife to support women's access to land; (d) progress in achieving the GAP targets are reflected in the Project progress reports and the Project completion report through collection and compilation of gender-disaggregated data, wherever relevant; (e) bidding documents include provisions as specified in the GAP; and (f) the Project contractors, where possible: (i) employ women in construction, rehabilitation and maintenance works; (ii) provide equal pay to men and women for work of same type in accordance with national laws and international treaty obligations; and (iii) provide safe working conditions for both male and female workers.