
LOAN NUMBER 2253-LAO(SF)

PROJECT AGREEMENT
(Rural Finance Sector Development Project)

between

ASIAN DEVELOPMENT BANK

and

AGRICULTURE PROMOTION BANK

DATED 30 November 2006

LAS:LAO 33357

PROJECT AGREEMENT

PROJECT AGREEMENT dated 30 November 2006 between ASIAN DEVELOPMENT BANK (“ADB”) and AGRICULTURE PROMOTION BANK (“APB”).

WHEREAS

(A) by a Project Loan Agreement of even date herewith between the Lao People's Democratic Republic (the “Borrower”) and ADB, ADB has agreed to make to the Borrower a loan in various currencies equivalent to one million five hundred fifty thousand Special Drawing Rights (SDR1,550,000) on the terms and conditions set forth in the Project Loan Agreement, for the purposes of the Rural Finance Sector Development Project (hereinafter called the Project) but only on condition that the proceeds of the Loan be made available to APB to carry out Parts B and C of the Project and that APB agree to undertake certain obligations towards ADB as set forth in this Project Agreement; and

(B) APB, in consideration of ADB entering into the Project Loan Agreement with the Borrower, 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. Wherever used in this Project Agreement, unless the context otherwise requires, the terms defined in the Project Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth. In addition, the following term has the following meanings:

“Project facilities” means the equipment, materials, and facilities to be provided under the Project.

ARTICLE II

Particular Covenants

Section 2.01. (a) APB shall carry out the Project with due diligence and efficiency, and in conformity with sound administrative, banking, financial, and environmental management practices and under the supervision of competent and experienced management and personnel.

(b) In the carrying out of the Project and operation of the Project facilities, APB shall perform all obligations set forth in the Project Loan Agreement to the extent that they are applicable to APB and all obligations set forth in the Schedule to this Project Agreement.

Section 2.02. APB shall make available, promptly as needed, the funds, facilities, services and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to the Project Loan 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 Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. APB shall carry out the Project in accordance with plans and work schedules acceptable to ADB. APB shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) APB shall ensure that arrangements satisfactory to ADB for insurance of Project facilities, are made 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, APB shall ensure that the goods to be imported for the Project and to be financed out of the proceeds of the Loan are insured 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. APB 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 Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

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

(b) APB shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement, the Governance Agreement, or the accomplishment of the purposes of the Loan.

(c) ADB and APB 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, APB and the Loan.

Section 2.08. (a) APB shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan 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; (iv) the administration, operations and financial condition of APB to the extent relevant to the Loan; and (v) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, APB shall furnish to ADB quarterly reports on the execution of the Project and 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 or six months 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 or six months.

(c) Promptly after 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, APB 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 APB of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.09. (a) APB shall (i) maintain separate accounts for the Project; (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 six (6) months after the close of the financial 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 Loan proceeds and compliance with the financial covenants of the Project Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language. APB 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) APB shall enable ADB, upon ADB's request, to discuss its financial statements and its financial affairs, to the extent pertaining to the utilization of the Loan proceeds, from time to time with its auditors, 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 APB unless APB shall otherwise agree.

Section 2.10. APB shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

Section 2.11. (a) APB 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, privileges and franchises which are necessary in the carrying out of the Project or in the conduct of its business.

(b) APB shall at all times operate and maintain its offices, 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, and maintenance and operational practices.

Section 2.12. Except as ADB may otherwise agree, APB shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Project Loan 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 the Project.

Section 2.13. Except as ADB may otherwise agree, APB shall duly perform all its obligations under the Governance 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 Agreement.

ARTICLE III

Effective Date; Termination

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

Section 3.02. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Project Loan 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 2337.

For APB

Agriculture Promotion Bank
PO Box 5456,
Vientiane, Lao PDR

Facsimile Number:

(856) 20-213957.

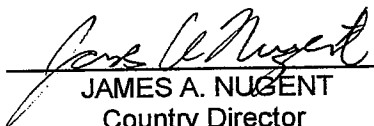
Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement or under Section 7.01 of the Project Loan Agreement by or on behalf of APB may be taken or executed by its Chairman or by such other person or persons as the Chairman shall so designate in writing notified to ADB.

(b) APB 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 
JAMES A. NUGENT
Country Director
Lao Resident Mission

AGRICULTURE PROMOTION BANK


By _____
BOUNVONG DUANGDOKKET
Authorized Representative