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LOAN NUMBER 3817-LAO(COL)

GRANT NUMBERS 0659-LAO(SF)  
0660-LAO(EF)

PROJECT AGREEMENT

(Sustainable Rural Infrastructure and Watershed Management Sector Project)

between

ASIAN DEVELOPMENT BANK

and

HOUAPHAN PROVINCE  
LOUANGPHABANG PROVINCE  
XAIGNABOULI PROVINCE  
XIANGKHOANG PROVINCE

DATED 30 OCTOBER 2019

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LAO 50236

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 30 October 2019 between ASIAN DEVELOPMENT BANK ("ADB") and HOUAPHAN PROVINCE, LOUANGPHABANG PROVINCE, XAIGNABOULI PROVINCE and XIANGKHOUANG PROVINCE ("Project provinces").

### WHEREAS

(A) by a Loan Agreement between Lao People's Democratic Republic ("Borrower") and ADB, ADB has agreed to make to the Borrower a loan of forty million Dollars (\$40,000,000) on the terms and conditions set forth in the Loan Agreement, but only on the condition that a portion of the proceeds of the loan be made available to the Project provinces and that the Project provinces agree to undertake certain obligations towards ADB set forth herein;

(B) by a grant agreement between the Borrower and ADB ("DRRF Grant Agreement"), ADB has agreed to make a grant to the Borrower from ADB's Disaster Risk Reduction Fund in the amount of five million Dollars (\$5,000,000) for the purposes of the Project described in Schedule 1 to the ADB Loan Agreement;

(C) by a grant agreement between the Borrower and ADB ("EU Grant Agreement"), ADB has agreed to make a grant to the Borrower from the European Union in the amount in Euro equivalent to four million four hundred sixty thousand Dollars (\$4,460,000) for the purposes of the Project described in Schedule 1 to the ADB Loan Agreement; and

(D) the Project provinces, in consideration of ADB entering into the Loan Agreement with the Borrower, have agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

### Definitions

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth, except that for purposes of this Project Agreement: the term "Project" means the activities under the Project to be carried out by the Project provinces.

## ARTICLE II

### Particular Covenants

Section 2.01. (a) The Project provinces shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

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

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

Section 2.03. (a) In the carrying out of the Project, the Project provinces 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, when the Project provinces procure items of the expenditures to be financed out of the proceeds of the Loan and Grants, the Project provinces shall procure such items in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where any such item has 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. The Project provinces shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Project provinces shall, through MAF, 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) The Project provinces shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Project provinces undertakes to insure, or cause to be insured, the Goods to be imported for the Project 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. The Project provinces shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan and Grants and procured by themselves, 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, their operations and financial condition.

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

(b) The Project provinces shall promptly inform, through MAF, ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of their obligations under this Project, or the accomplishment of the purposes of the Loan and Grants.

(c) ADB, MAF and the Project provinces 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, the Project provinces and the Loan and Grants.

Section 2.08. (a) The Project provinces, through MAF, shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan, Grants and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of the Project provinces; and (v) any other matters relating to the purposes of the Loan and Grants.

(b) Without limiting the generality of the foregoing, the Project provinces shall, through MAF, furnish to ADB periodic reports on the execution of the 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 period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, the Project provinces, through MAF, 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 the Project provinces of their obligations under this Project Agreement and the accomplishment of the purposes of the Loan and Grants.

Section 2.09. (a) The Project provinces shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan and Grants proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish, through MAF, to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Project provinces, through MAF, shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and Project provinces and their financial affairs where they relate to the Project with the auditors appointed by the Project provinces pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Project provinces and MAF, unless Project provinces and MAF shall otherwise agree.

Section 2.10. The Project provinces, through MAF, shall enable ADB's representatives to inspect the Project, the Goods, Works and Services and any relevant records and documents.

Section 2.11. Except as ADB and MAF may otherwise agree, the Project provinces shall not sell, lease or otherwise dispose of any of their assets which 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 their obligations under this Project Agreement.

Section 2.12. Except as ADB and MAF may otherwise agree, the Project provinces shall apply the proceeds of the Loan and Grants to the financing of expenditures on the Project in accordance with the provisions of the Loan and Grant Agreements and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

### ARTICLE III

#### Effective Date; Termination

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

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Loan 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 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, mail or facsimile 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  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

(632) 636-2444  
(632) 636-2305

For the Houaphan Province

Provincial Administration Office  
Thatmeuang Village, Xamneua District  
Houaphan Province

Facsimile Number:

(856 64) 312450

For the Louangphabang Province

Provincial Administration Office  
Thatluang Village, Louangphabang District  
Louangphabang Province

Facsimile Number:

(856 71) 212407

For the Xaignabouli Province

Provincial Administration Office  
Simouang Village, Xaignabouli District  
Xaignabouli Province

Facsimile Number:

(856 74) 212053

For the Xiangkhouang Province

Provincial Administration Office  
Phonsavang Village, Paek District  
Xiangkhouang Province

Facsimile Number:

(856 61) 312416.

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 the Project provinces may be taken or executed by their governors or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) The Project provinces, through MAF, shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, 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 as of the day and year first above written, and to be delivered at the principal office of ADB.

ASIAN DEVELOPMENT BANK

By   
YASUSHI NEGISHI  
Country Director  
Lao Resident Mission

HOUAPHAN PROVINCE

By   
PHANTHONG PHETXAISOMPHAN  
Vice Governor

LOUANGPHABANG PROVINCE

By   
SOUKANH BOUNNHONG  
Vice Governor



XAIGNABOULI PROVINCE



By \_\_\_\_\_  
NYANNYONG SIPASEUTH  
Vice Governor

XIANGKHOANG PROVINCE



By \_\_\_\_\_  
BOUASONE SYNOUANETHONG  
Vice Governor