



LAO PEOPLE'S DEMOCRATIC REPUBLIC
Peace Independence Democracy Unity Prosperity

Subsidiary Grant Agreement

between

Lao People's Democratic Republic
Represented by the Ministry of Finance

and the

Poverty Reduction Fund (PRF)

Vientiane Capital City, April 04, 2011

THIS AGREEMENT, dated ~~April 04~~, 2011 is entered into force between the Lao People's Democratic Republic (hereinafter 'Recipient'), represented by the Ministry of Finance (hereinafter 'MOF') and the Poverty Reduction Fund (hereinafter 'PRF'). MOF and PRF are hereinafter referred to, collectively, as the 'Parties'.

WHEREAS: (A) the International Development Association (hereinafter called the 'Association'), acting as administrator of grant funds provided by various donors under the Global Facility for Disaster Reduction and Recovery (GFDRR), and Lao PDR have signed a Grant Agreement (GFDRR Grant No. TF097714) dated December 8, 2010 (hereinafter called 'GA') under which, the Association has agreed to provide to Lao PDR a Grant (the 'Grant') in an amount not to exceed four hundred and ten thousand United States dollars (U.S.\$ 410,000) to be made available on the terms and condition set forth or referred to in the Grant Agreement of same date entered into between the Association, and MOF, for the purpose of financing the Post-ketsana Community Driven disaster Recovery Project (the 'Project'), as described in Article II to the Grant Agreement;

WHEREAS: (B) MOF shall carry out the Project through Poverty Reduction Fund (PRF) ("Project Implementing Entity") in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 ("Anti-corruption Guidelines"), with the modifications set forth in Section II of the Appendix to this Agreement; and (c) this Article II.

WHEREAS: (C) that pursuant to the GA, Lao PDR, through the MOF, shall enter into a Subsidiary Grant Agreement with the PRF setting forth the procedures and modalities for making available to the PRF the proceeds of the GFDRR Grant, and the Parties' respective obligations for carrying out the Project with due diligence and efficiency;

WHEREAS: (D) the PRF (established by the Prime Minister's Decree No. 73/PM, dated May 31, 2002, as amended by Decree No. 222/PM dated September 29, 2006) hereby declares its commitment to the objectives of the Project and undertakes to carry out Part I, II, III and IV of the Project with full conscience and determination to support community-led recovery and strengthen its overall Disaster Risk Management and Response capabilities in Lao PDR.

NOW THEREFORE the Parties hereto hereby agree as follows:

ARTICLE I
Incorporation of the Provisions of the GA

- Section 1.01.** Without limitation or restriction upon any of its provisions, the provisions of the GA are incorporated herein by reference and therefore constitute an integral part of this Agreement.
- Section 1.02** The parties shall, at all times, exercise their respective rights and obligations under this Agreement in such a manner, so as to ensure that the Project is carried out successfully in a timely manner, and so as to protect the interests of Lao PDR and the Association and to accomplish the purposes of the GFDRR Grant and the objectives of Post-Ketsana Community Driven Disaster Recovery Project. Except as the Association shall otherwise agree in writing in advance, the Parties shall not assign, amend, abrogate or waive this Agreement or any provision thereof.
- Section 1.03** Unless the context otherwise requires, the several terms defined in the GA have the respective meanings therein set forth.

ARTICLE II
Obligations of MOF

- Section 2.01** The Recipient shall, through the MOF, transfer to the PRF, as promptly as needed, and on terms and conditions acceptable to the Association, the funds, land, facilities, services and such other resources which are reasonably required for the Implementation of the Project, to the PRF on grant basis, and will take all action necessary to permit to PRF to carry out the Project and ensure the achievement of the objectives thereof.

ARTICLE III
Obligations of PRF

- Section 3.01** The PRF shall at all times, carry on its operations and conduct its affairs in accordance with the GA with sound administrative, economic, financing, managerial and environmental practices, under the supervision of qualified and experienced managerial personnel assisted by competent staff in adequate numbers. The PRF will always comply with the provisions of the Prime Minister's Decree No. 73/PM, dated May 31, 2002, as amended by Decree No. 222/PM dated September 29, 2006, and those of the documents which shall at all times remain in form and substance acceptable to the Association.
- Section 3.02** The PRF shall carry out the Project within the agreed total cost of USD 410,000, with due diligence and efficiency and in accordance with this Agreement, the PRF Operations Manual, the Environmental and Social Management Framework, including its provisions for Ethnic Groups, and the Anti-corruption Guidelines:

- (a) the PRF shall be responsible for promptly informing MOF and the Association of any condition, which interferes or threatens to interfere with the implementation of the Project and the achievement of its objectives;
- (b) the PRF shall not use the financing provided through the Subsidiary Agreement for ineligible expenditures and purposes inconsistent with the provisions of Article II para 2.07 to the Grant Agreement and the Anti-Corruption Guidelines;
- (c) the PRF shall follow management, financial, and safeguards practices, acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose;
- (d) the PRF shall undertake to procure the goods, works and consultants' services to be financed through the Subsidiary Agreement in accordance with the provisions of Article II para 2.07 to the Grant Agreement, and utilize such goods, works and consultants' services exclusively in the carrying out the Project; and
- (e) the PRF shall undertake to enable the Association to inspect such works and Sub-projects and the sites and works included in the Project, the operation thereof, and any relevant records and documents.

Section 3.03 The PRF shall, in relation to the Project, undertake to:

- (a) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition;
- (b) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of: (A) one (1) year after the Recipient and the Association have received the audited financial statements covering the period during which the last withdrawal from the Grant Account was made; and (B) two (2) years after the Closing Date;
- (c) enable the Recipient representatives and the Association's representatives to examine such records;
- (d) prepare and furnish to the Recipient and the Association not later than forty five (45) days after the end of each calendar quarter interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Recipient and the Association;
- (e) furnish to the Recipient as soon as available, but in any case not later than two (2) months after the end of each such year, certified copies of said financial statements and accounts for such year; and
- (f) prepare and furnish to the Recipient and the Association all such other information concerning said records, accounts and financial statements, as the Recipient and the Association shall reasonably request.

Section 3.04 the PRF shall undertake to:

- (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Recipient and the Association, the carrying out of the Project and the achievement of the objectives thereof;
- (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Recipient for their review, consolidation in the Project Reports and submission to the Recipient, quarterly reports integrating the results of the monitoring and evaluation activities performed under the Project and the progress achieved in the carrying out of the Project during the period preceding the date of each such report; and
- (c) update the PRF Operations Manual, with additions as needed, in a manner and substance satisfactory for the Association, which manual *inter alia* shall include the description of: (i) implementation arrangements; (ii) the procurement procedures and standard procurement documentation; (iii) reporting requirements, financial management and audit procedures; (iv) monitoring and evaluation arrangements; and (v) criteria for the selection of communities and of sub-projects and terms and conditions of Pilot Works Grants.

Section 3.05 PRF shall:

- (a) ensure that all activities to be financed through the Project are technically and economically viable, and have been designed and appraised, with due regard for public health, safety, social and environmental standards acceptable to the Association, and pursuant to the Environmental and Social Safeguards Framework acceptable to the Association;
- (b) ensure that an environmental and social screening of each activity has been done; and in the event that an activity would involve land acquisition, restriction of resource access, Ethnic Groups, or civil works, the Resettlement Policy Framework, the Ethnic Group Policy Framework, and the good engineering and management practices described in the Environmental and Social Safeguards Framework, as the case may be, will be followed;
- (c) ensure that all the screening results and other related follow-up actions are properly documented for possible post review by the Association; and
- (d) furnish to the Association for its prior approval any revisions proposed to be introduced into the Environment and Social Safeguards Framework, including the Resettlement Policy Framework and the Ethnic Group Policy Framework.

ARTICLE IV

Establishment, Maintenance and Management of Project Account

Section 4.01 For purpose of the Project, grant funds will flow from the Grant Accounts (GFDRR funds) to an existing Designated Account (DA) held at Bank of Lao and managed by PRF.

Section 4.02 MOF shall cause PRF to be responsible for preparing supporting documents for withdrawal applications to replenish the DA. As the Project Implementing Entity, PRF will be responsible for consolidating, authorizing and submitting withdrawal applications to MOF for forwarding to the Association.

Section 4.03 To ensure that DA would have sufficient funds available, the PRF shall submit statement of expenditures (SOE) to replenish the DA on a monthly basis. All replenishment applications will be prepared separately for the grant and accompanied by the DA reconciliation.

ARTICLE V

Representatives of the Parties: Addresses

Section 5.01 For purposes of this Agreement, the Director General of the External Finance Relations Department, Ministry of Finance is hereby designated as the representative of the MOF, and the Executive Director of PRF is hereby designated as the representative of the PRF.

Section 5.02 The following addresses are specified for the purposes of this Agreement:

For the Ministry of Finance: External Finance Department,
Ministry of Finance,
23 Singha Road, PO Box No. 46
Vientiane Capital City, Lao PDR
Tel. And Fax: (856-21) 412 142

For the Poverty Reduction Fund:
Poverty Reduction Fund
c/o Ministry of Planning and Investment
Luang Prabang Rd, PO Box No. 4625
Vientiane, Lao PDR
Tel. (856 21) 261 480
Facsimile: (856-21) 261 481

ARTICLE VI

Conflict; Governing Law; Waiver; Duration Termination

Section 6.01 In case of conflict between any of the provisions contained in this Agreement, on the one hand, and those set forth in the GA, on the other, the provisions of the GA shall at all times prevail.

Section 6.02 This Agreement shall be governed by and interpreted in accordance with the laws and regulations of the Lao PDR.


Section 6.03 The failure of either of the Parties to enforce for any period of time any provision of this Agreement shall not be interpreted as a waiver of such provision.

Section 6.04 This Agreement shall become effective upon its signature by the Parties and shall remain valid until the completion of project implementation.


Section 6.05 This Agreement shall terminate forthwith in the event: (i) the GA is terminated; (ii) the PRF is dissolved, or any of its operations are suspended; or (iii) the Recipient, acting through the MOF shall have given a ninety (90) days' advance notice of termination to the PRF, whether for or without cause.

IN WITNESS WHEREOF, the Parties acting through their duly authorized representatives have signed this Agreement in Vientiane, Lao PDR, on April 04, 2011.

ON BEHALF OF THE MINISTRY OF FINANCE

By.....
Thipphakone CHANTHAVONGSA
Director General,
External Finance Department
Ministry of Finance

ON BEHALF OF THE POVERTY REDUCTION FUND OF THE LAO PDR.

By.....
SOUVANNAPHANH Bounkouang
For. Executive Director,
Poverty Reduction Fund of Lao PDR