

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION



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March 4, 2014

H.E. Phouphet Khamphounvong  
Minister of Finance  
Ministry of Finance  
23 Singha Road  
Nongbone Village  
Saysettha District  
Vientiane, Lao PDR

**Second Grant Agreement for  
Lao People's Democratic Republic Readiness Preparation Proposal  
Readiness Fund of the FCPF  
Grant No. TF014777**

Excellency:

I wish to refer to the Grant Agreement between Lao People's Democratic Republic ("Recipient") and the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("FCPF"), dated October 9, 2009 ("Readiness Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in the amount not to exceed US\$200,000 for formulating the Readiness Preparation Proposal ("R-PP") ("R-PP Formulation Installment").

The Participants Committee of the FCPF ("PC") has reviewed the R-PP submitted by the Recipient and acknowledged the extensive efforts made by the Recipient and the high quality of the R-PP. Accordingly, the PC, through its Resolution PC/7/2010/2, decided to allocate grant funding to the Recipient in the amount of up to three million six hundred thousand Dollars (US\$ 3,600, 000) ("Preparation Installment"), to enable it to move ahead with preparation for readiness, subject to the terms and conditions set out in said Resolution. Further, the PC approved, through its Resolution PC/Electronic/2012/1, the allocation of additional funds of up to two hundred thousand Dollars (US\$200,000) (together with the Preparation Installment, the "Grant") for the purpose of strengthening the Recipient's national feedback and grievance redress mechanism, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, I am pleased to inform you that the World Bank agrees to extend the Grant in the amount of three million six hundred thousand Dollars (US\$3,600,000) on the terms and conditions set forth or referred to in this letter agreement ("Second Grant Agreement"), which includes the attached Annex, to assist in the financing of the Readiness Preparation Activities described in the Annex.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it


by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Second Grant Agreement and to carry out the Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Second Grant Agreement.


Since the execution of the Readiness Grant Agreement, the Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Second Grant Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement and this Second Grant Agreement including in the use of terms, the provisions in this Second Grant Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness Grant Agreement to eliminate any such inconsistency.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Second Grant Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Second Grant Agreement shall become effective as of the date of the countersignature.

Very truly yours,  
INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
(Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility)

By   
Constantine Chikosi  
Acting Country Director, South East Asia  
(Cambodia, Lao PDR, Malaysia, Myanmar, Thailand)  
East Asia and Pacific Region

AGREED:  
LAO PEOPLE'S DEMOCRATIC REPUBLIC

By:   
Authorized Representative  
Name: **Thipphakone CHANTHAVONGSA**  
Title: \_\_\_\_\_  
Date: **11 AUG 2014**

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated October 24, 2012.
- (3) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
- (4) Guidelines on Preventing and Combating Fraud and Corruption in Project Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011.
- (5) Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011.

**FCPF Readiness Fund Grant No. TF014777**  
**ANNEX**

**Article I**  
**Standard Conditions; Definitions**

1.01 ***Standard Conditions.*** The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 (“Standard Conditions”), with the modifications set forth below, constitute an integral part of this Second Grant Agreement:

(a) The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “Readiness Preparation Activities” means the activities, described in the Second Grant Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

(b) The term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”

1.02 ***Definitions.*** Unless the context requires otherwise, the capitalized terms used in this Second Grant Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or in this Second Grant Agreement.

- (a) “ARPF” means the access restriction process framework to be prepared in accordance with the ESMF, setting out the mechanisms through which affected persons living in and around protected areas will participate in determining any restrictions of access to natural resources, the assessment of the impact of any such restrictions, and the determination of remedial measures to redress such impacts.
- (b) “DOF” means the Department of Forestry under the MAF, or any successor thereto.
- (c) “EGP” means the ethnic group plan(s) to be prepared in accordance with the EGPF for the informed participation of ethnic groups in the design and implementation of REDD+ activities.
- (d) “EGPF” means the Recipient’s ethnic group planning framework to be prepared as part of the ESMF, and validated by a representative group of ethnic group leaders prior to its approval, providing clear process and criteria for the development of specific EGPs and process for attaining and documenting broad community support for any World Bank investments related to REDD+ (including the Carbon Fund of the FCPF). .
- (e) “ESMF” means the environmental and social management framework to be prepared by the Recipient, acceptable to the World Bank, and resulting from the SESA, which will provide guidance regarding the management of environmental and social issues during the implementation of REDD+ activities, including the potential negative impacts on natural habitats, the screening criteria, procedures

and standards applicable to the World Bank investments related to REDD+ (including the Carbon Fund of the FCPF ), and the preparation of the EGPF, ARPF, and the RPF, as the same may be modified from time to time by agreement between the Recipient and the World Bank.

- (f) “MAF” means the Ministry of Agriculture and Forestry, or any successor thereto.
- (g) “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for staff for travel linked to the implementation of the Readiness Preparation Activities, and salaries of contractual staff for the Readiness Preparation Activities (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).
- (h) “RAP” means the resettlement action plan(s) to be prepared in accordance with the RPF, setting out the principles and procedures governing resettlement, compensation and rehabilitation of affected persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with said plan.
- (i) “REDD+” means reducing greenhouse gas emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (j) “RPF” means the resettlement policy framework to be prepared by the Recipient as part of the ESMF, providing procedures and guidelines for the preparation, adoption, implementation, and monitoring of Resettlement Action Plan or Plans.
- (k) “Safeguard Documents” means the ESMF and SESA, acceptable to the World Bank.
- (l) “SESA” means the strategic environment and social assessment to be conducted by the Recipient as part of the REDD+ process, acceptable to the World Bank, to assess critical issues related to, inter alia, forest governance and resources and the potential impact from national REDD+ activities.
- (m) “Training and Workshops” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness Preparation Activities, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation (but excluding goods and consultant’s services).
- (n) “World Bank Safeguard Policies” means the World Bank’s operational policies and procedures mandated under OP/BPs 4.01, 4.04, 4.36, 4.09, 4.10, 4.11, and 4.12.

## **Article II**

### **Execution of Readiness Preparation Activities**

2.01. ***Objectives and Description.*** The objective of the Grant is to assist the Recipient to carry out the Readiness Preparation Activities. The Readiness Preparation Activities consist of the following parts:

- (a) Readiness Process Management and Stakeholder Consultation
  - (i) Establishment of operational REDD+ offices at the national levels and in selected provinces, and development of protocols for coordination among these offices.
  - (ii) Assessment and alignment of REDD+ strategy and activities with the national policy, legal and regulatory framework.
  - (iii) Establishment of a stakeholder participation working group, updating of the stakeholder participation and consultation plan acceptable to the World Bank, and development of an effective communication and outreach strategy, to ensure and facilitate participation of relevant stakeholder in REDD+ Readiness Preparation Activities.
- (b) REDD+ Strategy Development
  - (i) Carrying out of an assessment of the existing policy and regulatory framework to further develop and finalize the REDD+ strategy.
  - (ii) Carrying out of analytical studies on land and natural resources tenure, rights, access and use, and development of participatory land use planning and REDD+ strategy options.
  - (iii) Carrying out of the SESA and development of the ESMF, both in compliance with World Bank Safeguard Policies.
- (c) Implementation Arrangements
  - (i) Establishment of the necessary institutional, regulatory, and financial arrangements for supporting the REDD+ preparatory process.
  - (ii) Carrying out of analytical studies on revenue management and benefit sharing mechanisms, establishment of a benefit sharing working group, and development of benefit sharing arrangements acceptable to the World Bank.
  - (iii) Conduct of an assessment of existing feedback and grievance redress mechanisms, and reinforcement and/or development, as appropriate, such mechanisms to address the needs of relevant REDD+ stakeholders.
  - (iv) Assessment of the needs and development of options to build capacity in information and knowledge management of relevant institutions for the REDD+ preparation process.
- (d) Reference Emission Level and Monitoring Systems
  - (i) Development of reference emission levels aligned with REDD+ strategy.
  - (ii) Design of a system to monitor, report and verify the forest carbon stock and co-benefits of REDD+.
  - (iii) Establishment of a carbon registry, which can be used for both carbon and non-carbon requirements of REDD+.

2.02. ***Execution Generally.*** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Department of Forestry under the Ministry of Agriculture and Forestry 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 and revised in January, 2011 (“Anti-Corruption Guidelines”) and (c) this Article II.

2.03 ***Institutional and Other Arrangements.*** Without limitation upon the provision of Section 2.02 above, the Recipient shall:

(a) Maintain a project financial management unit within its ministry responsible for finance, with staff in number and with qualifications and terms of reference satisfactory to the World Bank, to be responsible for the financial management of the Readiness Preparation Activities.

(b) Ensure that the national REDD+ steering committee and other relevant institutions assign staff and resources acceptable to the World Bank in order to carry out the Readiness Preparation Activities.

2.04 ***Safeguards.*** Without limitation upon the provision of Section 2.02 above and in order to ensure proper implementation of the Readiness Preparation Activities in an environmentally and socially responsible manner, the Recipient shall:

(a) ensure that all: (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities, and (ii) Safeguard Documents to be prepared for the Readiness Preparation Activities are so prepared in a manner acceptable to the World Bank and consistent with World Bank Safeguard Policies, as well as the Recipient’s own laws relating to the environment and social aspects;

(b) draft any laws or regulations under the Readiness Preparation Activities to be consistent with said policies and laws; and

(c) in carrying out the SESA, engage with broad stakeholders including civil society organizations, and carry out free, prior and informed consultations with forest dependent people and ethnic groups leading to their broad community support to the objectives and outputs of the Readiness Preparation Activities.

2.05. ***Mid-term Progress Report and Completion Report.*** The Recipient shall, not later than February 29, 2016, prepare and furnish to the World Bank a mid-term progress report on the Readiness Preparation Activities in accordance with terms of reference acceptable to the World Bank, including the provisions of Section 6.3(b) of the Charter and Resolutions PC/7/2010/3 and PC/12/2012/2. The Recipient shall also prepare and furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06(b) (ii) of the Standard Conditions.

## 2.06. ***Financial Management***

(a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Readiness Preparation Activities are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

## 2.07. ***Procurement***

(a) General. All goods, works and consultants' services required for the Readiness Preparation Activities and to be financed out of the proceeds of the Preparation Installment shall be procured in accordance with the requirements set forth or referred to in:

- (i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods and works;
- (ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and
- (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Readiness Preparation Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Works.

- (i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.



- (ii) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

- (iii) National Competitive Bidding shall be conducted in accordance with the Government of Lao PDR's Decree of the Prime Minister on Government Procurement of Goods, Construction, Maintenance and Services, 03/PM dated January 9, 2004, and the Implementing Rules and Regulations on Government Procurement of Goods, Works, Maintenance and Services, 0861/MOF, dated May 5, 2009, and subject further to the procedures listed in the Attachment to this Agreement.

- (d) Particular Methods of Procurement of Consulting Services.

- (i) Except as otherwise provided in sub-paragraph (ii) below, consulting services shall be procured under contracts awarded on the basis of Quality and Cost Based Selection.
- (ii) The following table specifies the methods of procurement, other than Quality and Cost Based Selection, which may be used for consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

(a) Quality Based Selection
(b) Selection based on Consultants' Qualifications
(c) Single-source Selection of consulting firms
(d) Selection of Individual Consultants
(e) Single-source procedures for the Selection of Individual Consultants

- (e) Review by the World Bank of Procurement Decisions.

- (i) The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
- (ii) All terms of reference for consultants' services, regardless of the contract value, shall be subject to the World Bank's prior review.

### **Article III**

#### **Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and

(c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures consisting of goods, works, consultants’ services, Training and Workshops, and Operating Costs.

3.02. ***Withdrawal Conditions.*** Notwithstanding the provisions of Section 3.01 of this Second Grant Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Second Grant Agreement by the Recipient.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 15, 2017.

#### **Article IV Recipient’s Representative; Addresses**

4.01. ***Recipient’s Representative.*** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its minister at the time responsible for finance.

4.02. ***Recipient’s Address.*** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
23 Singha Road  
Nongbone Village  
Saysettha District  
Vientiane, Lao PDR

Facsimile:  
856-21-412142 or 856-21-911611

4.03. ***World Bank’s Address.*** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America  
Facsimile: 1-202-477-6391

### **Conditions on National Competitive Bidding (NCB) Procedures**

The procurement procedure to be followed for National Competitive Bidding shall be based on the Public Bidding procurement method as defined in the Decree No. 03/PM on Government Procurement of Goods, Construction, Maintenance and Services, dated January 9, 2004; the Implementing Rules and Regulations, dated March 12, 2004 as amended on May 5, 2009; provided that such procedure shall be subject (a) to the provisions of Section I and Paragraphs 3.3 and 3.4 of the “Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers” (January 2011) (the “Procurement Guidelines”), and (b) the following additional provisions:

1. Eligibility: The eligibility of bidders to participate in a procurement process and to be awarded a contract financed by the World Bank shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the Procurement Guidelines.
2. Domestic Preference: No domestic preference may be applied in bid evaluation on the basis of bidder nationality, the origin of goods, services or labor, and/or preferential programs.
3. Registration and Inclusion in the Reference List of Suppliers/Contractors: Registration and Inclusion in the Reference List shall not be used as a basis for or as a substitute for assessing the bidders’ qualifications.
4. Bidding Documents: Procuring entities shall use the appropriate standard bidding documents acceptable to the World Bank, which documents shall be prepared to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines.
5. Bid Opening: All bids must be opened in public immediately at on the deadline set for the bid submission at the date, time and place stipulated in the tender documents. Bids shall be opened in public, that is, the bidders or their representatives may attend the bid opening. The Tender Committee shall announce the names of the bidders and the price offered by each bidder. A record of the bid opening will be prepared and will contain the names of the bidders, bid price, discounts and the names of persons in attendance and the organizations they represent.
6. Rejection of Bids and Re-bidding: All bids (or the sole bid if only one bid is received) shall not be rejected, negotiations shall not take place at any time with a bidder, the procurement process shall not be cancelled, or new bids shall not be solicited without the World Bank’s prior written concurrence.
7. Contract Modifications: With respect to contracts subject to the World Bank’s prior review, the Recipient shall obtain the World Bank’s no objection before agreeing to: (i) a material extension of the stipulated time for performance of a contract; (ii) any substantial modification of the contract scope of services or other significant changes to the terms and conditions of the contract; (iii) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation

orders or amendments previously issued, increases the original contract amount by more than fifteen percent (15%); or (iv) the proposed termination of the contract. A copy of all signed contract amendments shall be provided to the Bank for record.

8. Bid and Contract Securities: All bid and contract securities shall be in the format specified in the bidding documents.
9. Fraud and Corruption: To be deemed acceptable by the World Bank the bidding documents and contract shall include provision(s) stating that the World Bank's policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.
10. Inspection and Audit Rights: In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Grant shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the World Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the World Bank. Acts intended to materially impede the exercise of the World Bank's inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Procurement Guidelines.