

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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October 9, 2009

H.E. Somdy Douangdy
Minister of Finance
Ministry of Finance
23 Singha Road
P.O. Box: 46
Vientiane
Lao People's Democratic Republic

Re: Grant Agreement for Preparation of the Readiness Plan
Readiness Fund of the FCPF
Grant No. TF094048

Excellency:

I wish to refer to Resolution PC2008-2 of the Participants Committee of the Forest Carbon Partnership Facility (FCPF) regarding Selection of REDD Country Participants (Resolution PC2008-02). REDD refers to reducing emissions from deforestation and forest degradation. Resolution PC2008-2 provides that:

- (i) Subject to the availability of funding, a REDD Country Participant may receive grants up to three million six hundred thousand United States Dollars (US\$3,600,000) ("Total Allocation") for preparing and implementing a Readiness Plan as defined in the Charter establishing the FCPF; and
- (ii) Subject to terms and conditions set forth in attachment II to Resolution PC2008-3 of the Participants Committee regarding Grant Allocation for REDD Country Participants, the Total Allocation may be made available in three installments, with the first installment in the amount of US\$200,000 (First Installment) available to the Eligible REDD Country upon its selection as a Participant in the FCPF.

The Lao People's Democratic Republic ("Recipient") was selected as a REDD Country Participant and has requested the First Installment of the Total Allocation to prepare its Readiness Plan. In response to the request for financial assistance made on behalf of the Recipient to prepare its Readiness Plan, I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility, agrees to extend to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars (US\$200,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to availability of such funds.

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

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

/s/ By Mathew A. Verghis
Acting Country Director, Lao PDR
East Asia and Pacific Region

AGREED:

LAO PEOPLE'S DEMOCRATIC REPUBLIC

/s/ By Viengthong Siphandone
Title: Vice Minister of Finance
Date: December 30, 2009

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008
- (2) Disbursement Letter dated October 9, 2009 together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

**FCPF Readiness Fund Grant No. TF094048
ANNEX**

**Article I
Standard Conditions; Definitions**

1.01. ***Standard Conditions.***

- (a) The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2008 (“Standard Conditions”), with the modification set forth in paragraph (b) below, constitute an integral part of this Agreement.
- (b) The following term shall be inserted as paragraph 6(bis):
 - (i) 6(bis). “Charter” means the Charter Establishing the Forest Carbon Partnership Facility, as may be amended from time to time;”

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

**Article II
Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to assist the Recipient to develop a Readiness Plan, on the basis of the Readiness Plan Idea Note following the FCPF template for the Readiness Plan. The Project consists of the following parts:

- (a) Provision of advisory services, training and workshops to the Lao PDR National REDD Task Force team on leading Readiness-Plan proposal development and management;
- (b) Provision of advisory services to the Lao PDR National REDD Task Force Team for preparing terms of reference for developing a reference scenario of deforestation and degradation;
- (c) Provision of advisory services to the Lao PDR National REDD Task Force Team for preparing terms of reference for designing and implementing a monitoring, reporting and verification system on reduction of emission of carbon from forests;
- (d) Provision of advisory services to Lao National REDD Task Force Team for preparing terms of references for a REDD implementation framework; and
- (e) Provision of advisory services, training and workshops on social and environmental impact assessment and stakeholder consultation to Lao National REDD Task Force Team.

2.02. ***Project Execution Generally.***

(a) The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Agriculture and Forestry, particularly by its Department of Forest (“DOF”) 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”).

(b) The Recipient shall establish and, thereafter throughout the execution of this Agreement maintain, a Lao PDR National REDD Task Force Team responsible for following up on REDD activities.

2.03. ***Project Report and Completion Report.*** The Recipient shall prepare the Project Report and Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five days after the end of the period covered by such report. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.04. ***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 Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.07 (b) of the Standard Conditions.

(i) If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, the Recipient shall have the Financial Statements included in the first audit of financial statements required under the Refinancing Agreement.

(ii) If, by the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, such audit of the Financial Statements shall cover the period of the Advance, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of the Recipient’s fiscal year in which the Refinancing Date occurs.

(iii) Notwithstanding the provisions of paragraphs (i) and (ii) of this Section, the World Bank may request an audit of the Financial Statements prior to the Refinancing Date, covering such period as is indicated in its request. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. ***Procurement***

(a) **General.** All services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I and IV of the “Guidelines: Selection and Employment of Consultants

by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 (“Consultant Guidelines”) in the case of consultants’ services; and

(ii) the provisions of this Section.

(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 the Consultant Guidelines.

(c) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality-and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the Bank agrees meet the requirements set forth in the Consultant Guidelines for their use:

(a) <u>Selection based on Consultants’ Qualifications</u>
(b) <u>Least Cost Selection</u>
(c) <u>Single Source Selection</u>
(d) <u>Selection of Individual Consultants</u>

(c) Review by the World Bank of Procurement Decisions.

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.

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 as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (Inclusive of Taxes)
(1) Consultants’ Services	178,000	100%

(2) Training and Workshops	15,000	100%
(3) Operating Costs	7,000	100%
TOTAL AMOUNT	200,000	

For the purpose of Section 3.01, (i) the term "Training and Workshops" means the costs associated with training and workshop participation of personnel involved in the implementation of the Project including 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; and (ii) the term "Operating Costs" means the operating costs incurred on account of the implementation of the Project including office supplies and consumables, utilities, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems[, but excluding salaries of officials of the Recipient's civil service.

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

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is November 30, 2010.

Article IV

Additional Remedies

4.01 **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the Default in Implementation set forth in Section 6.5 (a) (i) of the Charter.

Article V

Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of 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

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

Cable:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	