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GRANT NUMBER 0488-LAO(SCF)

GRANT AGREEMENT  
(ADB Strategic Climate Fund)

(Greater Mekong Subregion Biodiversity Conservation  
Corridors Project-Additional Financing)

(Lao Component)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK  
acting as an implementing entity of the  
Strategic Climate Fund

DATED 18 OCTOBER 2016

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LAO 40253

**GRANT AGREEMENT  
(ADB Strategic Climate Fund)**

GRANT AGREEMENT dated 18 October 2016 between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB"), acting solely in its capacity as an implementing entity of the Strategic Climate Fund ("SCF").

WHEREAS

(A) by a grant agreement dated 14 February 2011 between the Recipient and ADB ("Initial Grant Agreement"), ADB has agreed to make a grant (No. 0242-LAO [SF]) to the Recipient from ADB's Special Funds resources in the amount of \$20,000,000 ("Initial Grant") for the purposes of the Project described in Schedule 1 to the Initial Grant Agreement ("Initial Project");

(B) the Recipient has applied to ADB for a grant from SCF for the purposes of financing various additional activities and subprojects for the Initial Project described in Schedule 1 to this Grant Agreement ("Project") and SCF has agreed to cofinance such Project on a grant basis;

(C) ADB has established the ADB Strategic Climate Fund to receive, hold in trust and administer funds from SCF; and

(D) ADB, acting in its capacity as an implementing agency of SCF in accordance with the Financial Procedures Agreement dated 18 March 2010 between the International Bank for Reconstruction and Development ("IBRD") and ADB ("Financial Procedures Agreement"), has agreed to administer a grant to the Recipient from the ADB Strategic Climate Fund upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Initial Grant Agreement and the Grant Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings:

(a) "Consulting Services" means the services to be financed out of the proceeds of the Grant, as described in paragraph 3 of Schedule 1 to this Grant Agreement;

(b) "Environmental Assessment and Review Framework" or "EARF" means the environmental review and assessment framework for the Initial Project, as updated for the Project, including any update thereto, prepared and submitted by EA and cleared by ADB;

(c) "Environmental Management Plan" or "EMP" means any and all environmental management plans for the Project, including any update thereto, incorporated in the IEE;

(d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(e) "Ethnic Groups Development Framework" or "EGDF" means the ethnic minority development framework for the Initial Project, as updated for the Project, including any update thereto, prepared and submitted by EA and cleared by ADB;

(f) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Recipient, EA and ADB;

(g) "Goods" means equipment and materials to be financed out of the proceeds of the Grant, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(h) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(i) "Initial Environmental Examination" or "IEE" means any and all initial environmental examinations for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(j) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(k) "Project Executing Agency" or "EA" for purposes and within the meaning of the Grant Regulations means the Recipient's Ministry of Natural Resources and Environment or any legal successor thereto acceptable to ADB;

(l) "Resettlement Framework" or "RF" means the resettlement framework for the Initial Project, as updated for the Project, including any update thereto, prepared and submitted by EA and cleared by ADB;

(m) "Resettlement Plan" or "RP" means any and all resettlement plans for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;

(n) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(o) "Safeguards Monitoring Report" means each report prepared and submitted by the Recipient to ADB that describes progress with implementation of and compliance with the EARF, the RF and the EGDF (as applicable), including any corrective and preventative actions; and

(p) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient a grant from ADB Strategic Climate Fund in the amount of twelve million eight hundred forty thousand Dollars (\$12,840,000).

Section 2.02. The Recipient acknowledges that the Grant is funded out of resources made available by IBRD, acting as the trustee to SCF, to ADB as an implementing entity of SCF. No withdrawals shall be made if, as a result of such withdrawal, the total amount of the Grant withdrawn from the Grant Account would exceed the amount available to ADB from resources provided to it for purposes of the Grant. Only the resources made available to ADB for the purposes of the Grant shall be considered for the enforcement of any obligations, claims or liabilities under or in connection with the Grant.

## **ARTICLE III**

### **Use of Proceeds of the Grant**

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to the Initial Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Recipient and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out of the Project, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Grant Agreement and Schedule 4 to the Initial Grant Agreement.

Section 4.02. (a) The Recipient 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, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest funds and statement of expenditures) 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 to ADB, no later than 6 months after the end of each related fiscal year, 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 Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient's financial affairs where they relate to the Project with the auditors appointed 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 Recipient, unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

## ARTICLE V

### Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

- (a) the Recipient shall have failed to perform any of its obligations under the Initial Grant Agreement; or

- (b) SCF shall have directed ADB to suspend commitment and/or withhold disbursement of the Grant or portion thereof for the Project.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

#### For the Recipient

Ministry of Finance  
23<sup>rd</sup> Singha Road  
P.O. Box 46  
Vientiane Capital  
Lao People's Democratic Republic.

Facsimile Numbers:

(856-21) 412142  
(856-21) 911611

#### For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

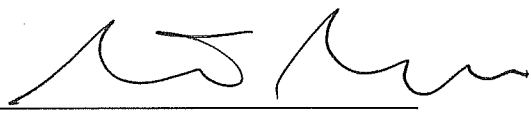
(632) 636-2444  
(632) 636-2305.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant 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.

LAO PEOPLE'S DEMOCRATIC REPUBLIC

By   
THIPPHAKONE CHANTHAVONGSA  
Deputy Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By   
STEVEN M. SCHIPANI  
Officer-in-Charge  
Lao Resident Mission

**SCHEDULE 1****Description of the Project**

1. The Project supports the objectives of the Initial Project described in Schedule 1 of the Initial Grant Agreement, reinforcing its impact and outcome by expanding its outputs to reduce carbon dioxide emissions from deforestation and forest degradation.
2. The Project will expand the scope of the Initial Project through a series of activities which will be implemented under the 4 outputs of the Initial Project. These activities include:
  - (a) strengthen policy, institutional and human resource capacity for REDD+;
  - (b) agroforestry with livestock support;
  - (c) agroforestry with crop support;
  - (d) carbonization of non-commercial wood into charcoal;
  - (e) afforestation and forest rehabilitation; and
  - (f) forest protection, patrolling and monitoring of carbon baseline.
3. The Project will also include project management support and Consulting Services for contract management, project administration and safeguards monitoring and reporting.
4. The Project is expected to be completed by 31 December 2019.



## SCHEDULE 2

### Allocation and Withdrawal of Grant Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

#### Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

#### Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

#### Disbursement Procedure

4. Except as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

#### Retroactive Financing

5. Withdrawals from the Grant Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Grant Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Grant amount.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Biodiversity Conservation Corridors Project-Additional Financing)</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB SCF Financing (\$) Category</b>	<b>Basis for Withdrawal from the Grant Account</b>
1	Works, Goods, Consulting Services, and Project Management	12,840,000	100% of total expenditure claimed
	<b>Total</b>	<b>12,840,000</b>	

### SCHEDULE 3

#### Execution of Project; Financial Matters

##### Implementation Arrangements

1. The Recipient and the Project Executing Agency ("EA") shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

##### Environment

2. The Recipient shall ensure or cause the EA to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project comply with (a) all applicable laws and regulations of the Recipient relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the EARF, the IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

##### Land Acquisition and Involuntary Resettlement

3. The Recipient shall ensure or cause the EA to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Recipient relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; and (c) all measures and requirements set forth in the RF and the RP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

4. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Recipient shall ensure or cause the EA to ensure that no physical or economic displacement takes place in connection with the Project until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

##### Indigenous Peoples

5. The Recipient shall ensure or cause the EA to ensure that the preparation, design, construction, implementation and operation of the Project comply with (a) all applicable laws and regulations of the Recipient relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; and (c) all measures and requirements set forth in the EGDF, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

6. The Recipient shall make available or cause the EA to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Recipient shall ensure or cause the EA to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EARF, the RF and the EGDF (to the extent they concern impacts on affected people during Project implementation), and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Recipient with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during implementation or operation of the Project that were not considered in the IEE, the EARF, the RF and the EGDF;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

8. The Recipient shall do the following or cause the EA to do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, the EARF, the EGDF, the RF and the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the RP promptly after becoming aware of the breach.

Prohibited List of Investments

9. The Recipient shall ensure that no proceeds of the Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Gender and Development

10. The Recipient shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) 50% women participants in REDD+ awareness activities; (ii) 30% women participants in training courses on REDD+, patrolling and community protection and patrolling teams; (iii) 40% women beneficiaries of community contracts with user rights for sustainable alternative agro-forestry development; in training, implementation teams and in access to livelihood assistance on forest conservation and resource use; (vi) inclusion of gender indicators in project monitoring and evaluation system and the collection of sex-disaggregated data in reporting access to all activities and benefits.

11. The Recipient shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

Governance and Anticorruption

12. The Recipient and EA shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

13. The Recipient and EA shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

14. The Recipient shall ensure that (a) the EA complies with applicable laws and regulations of the Recipient on combating money laundering and financing of terrorism; and (b) Grant proceeds are not used, directly or indirectly, in money laundering or financing of terrorism, including payment to persons and entities that are subject to financial sanctions of United Nations Security Council resolutions on combating the financing of terrorism.