



Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

Sub-grant Agreement

In accordance with the objectives of the Environment Protection Fund (EPF) and particularly the Second Lao PDR Environment and Social project (the Project) financed by the World Bank; and

In accordance with the request letter of the Department of Planning and Cooperation (DPC) (MONRE) No. 0138/MONRE.DPC, dated 10/03/2016

The EPF (hereinafter referred to as **Financing Entity**) located at Building No 100, Sidamduan Rd. Chanthabouri district Vientiane Capital, Lao PDR, Tel: 21-251947, Fax 21-251946

And

The Department of Planning and Cooperation (DPC) (hereinafter referred to as Sub project Delivery Agency or SDA), located at Dongnasok – Nongbuek Rd, Sikhotabong District, Vientiane Capital City, Office of MONRE, 3rd floor, Tel/Fax: 856 21 250643 , P.O.Box 7864
Email: dpc@monre.gov.la

Agreed on

Article 1: Implementation of the Sub-Project:

- 1.1 The SDA shall carry out the agreed set of activities (hereinafter referred to as Sub-project), as referred to in the Sub-project Proposal attached to this Agreement.
- Sub-Project ID No.: **PICE-PAW005**
 - Sub-Project Title: **Enhancing MONRE's DPC Capacity for Natural Resources and Environment Sector Planning and Coordination**
 - Location: **Vientiane Capital**
 - Total Sub-grant Amount: **Lao Kip 4,033,800,000** (Four Billion thirty-three million eight hundred Kip) including 10% contingency (Excluding Counterpart Funding)

Article 2: Rights and Responsibilities of the Parties to the Agreement

A. The Subproject Delivery Agency:

- 2.1 Shall be responsible for implementing, monitoring and managing the Sub-project according to the Sub-project description, implementation schedule and costs contained in this Agreement and its attachments and specifically, shall adopt, put into effect, and apply throughout the implementation of the Sub-project, an annual work plan and budget, procurement plan, and monitoring plan (together referred to as the AWPB) satisfactory to the Financing Entity.
- 2.2 Shall comply with the Government of Lao PDR's law and specifically on Environment and Social Impact Assessment law in all matters pertaining to the implementation of the Sub-project activities.
- 2.3 Shall comply with guidelines/instructions stated in the Project Environmental and Social Management Framework (ESMF), the Project Community Engagement Framework (CEF) and the Project Implementation Manual (PIM), as the said documents may be periodically updated. In the event that a Sub-project would

involve small land acquisition, restriction of resource access, ethnic groups, or small civil works, the Resettlement Policy Framework, the Process Framework, the Ethnic Group Planning Framework, the Environmental Code of Practice and other environmental and social procedures and requirements described in the ESMF and the CEF shall be followed.

- 2.4 Shall maintain the financial management system in accordance with the provisions of Section 2.07 of the World Bank Standard Conditions and comply with the procurement and financial management reporting requirements as specified in the PIM. This includes but not limited to compliance with EPF vehicle use policy and procedures for the vehicle being rented or purchased for implementation of Sub-project activities.
- 2.5 Shall send SDA staff directly involved in managing the Sub-project (including staff involved in Sub-project management and activity reporting, finance staff, procurement staff and safeguard staff) to relevant training organized by the Financing Entity.
- 2.6 Shall ascertain and conform in all respects with the provisions of laws, rules and regulations of Lao PDR, which may be applicable to the Sub-project such as, but not limited to, safety and security of all Sub-project operations, methods of construction, traffic regulations, and environmental/social protection.
- 2.7 Shall be solely responsible for any work accidents, injuries, liabilities, damages which might result from the execution of the Sub-project.
- 2.8 Shall not without prior consent of the Financing Entity re-assign the Agreement or any part thereof.
- 2.9 Shall cooperate fully with the Financing Entity, the Government of Lao PDR (GoL) and the World Bank in their supervision activities, including monitoring and evaluation.
- 1.10 Shall provide all the necessary documents and logistical support to ensure a thorough joint performance review of the Sub-project by the Financing Entity and SDA and, upon their request, the GoL and the World Bank, at least every six months. The SDA agrees that if the Financing Entity concludes from the review that the Sub-project is not performing satisfactorily, and that part or all of the Sub-grant funds should be cancelled in accordance with the provisions of this Agreement, the SDA shall fully cooperate in refunding any Sub-grant funds, and returning any information and/or assets, as requested by the Financing Entity.
- 2.11 Shall take full responsibility in ensuring achievement of the Sub-project objectives, and in documenting the achievement (or non-achievement) of the Sub-project objectives and outputs/outcomes in a manner and format as specified in the PIM.
- 2.12 Shall provide periodic (quarterly and completion) Sub-project financial and procurement reports to the Financing Entity, in the format specified in the PIM. Quarterly and completion reports are due within 30 days after the quarter or completion.
- 2.13 Shall provide periodic (semi-annual, annual and completion) Sub-project activity progress reports to the Financing Entity, in the format specified in the PIM. The semi-annual, annual and completion reports are due within 30 days after the reporting period. It is understood that the Sub-project progress and financial/procurement reports may be used by the Financing Entity in deciding on the continued disbursement of funds to the Implementing Organization in accordance with the provisions of this Agreement.

- 2.14 Shall open a dedicated bank account for the Sub-project in the name of the SDA, and shall assign at least two authorized SDA staff as signatories for bank transactions. Further, the SDA shall ensure that banking arrangements are done such that at least two signatories are required for any withdrawals, transfers, payments and request to change signatories for the account. A copy of the bank account name and number, and the bank document showing at least two signatories shall be sent to the Financing Entity within two weeks after the signing of this Agreement.
- 2.15 Shall provide timely input to the Financing Entity for the preparation of reports being consolidated by the Financing Entity, as required under the Project.
- 2.16 Shall undertake to carry out the Sub-project with due diligence and efficiency, and in accordance with the AWPB and sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Financing Entity as outlined in the PIM.
- 2.17 Shall not use the financing provided through this Agreement for ineligible expenditures and purposes inconsistent with the provisions of this Agreement and the World Bank's Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grant, dated October 15, 2006 and revised in January 2011.
- 2.18 Shall not amend, suspend, abrogate, repeal or waive any provisions of the AWPB without the prior agreement of the Financing Entity.
- 2.19 Shall undertake to enable the Financing Entity, the GoL and the World Bank to inspect the Sub-project and the operation thereof, and any relevant records and documents.
- 2.20 Shall promptly inform the Financing Entity of any condition which obstructs or threatens to obstruct with the implementation of the Sub-project and the achievement of the objectives thereof.
- 2.21 Shall undertake to:
 - a) ensure that the goods, works and/or services to be financed out of the Sub-grant are procured in accordance with the applicable provisions of the World Bank's procurement and consultant guidelines, as detailed in the PIM;
 - b) maintain a financial management system, prepare financial statements in accordance with consistently applied accounting standards acceptable to the Financing Entity, the GoL and the World Bank, in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project;
 - c) send all originals to the Financing Entity of all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Sub-project;
 - d) retain copies of all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Sub-project until at least the later of 30 June 2023, or a date specified by the Financing entity;
 - e) enable the GoL's and World Bank's representatives to examine such records;
 - f) facilitate access to all financial statements and all sub-project implementation information to the independent Project auditors recruited by the Financing Entity for each fiscal year in accordance with consistently applied auditing standards acceptable to the GoL and the World Bank, by auditors acceptable to the GoL and the World Bank;
 - g) prepare and furnish to the independent Project auditors and to the Financing Entity all such other information concerning said financial statements, as the Financing Entity, the GoL or the World Bank shall reasonably request;

- h) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators specified in the approved Sub-project Proposal, the carrying out of the Sub-project and the achievement of the objectives thereof;
 - i) furnish to the Financing Entity, the GoL and the World Bank all such information as they shall reasonable request relating to the implementation of the Sub-project and the use of the proceeds of the Sub-grant;
 - j) promptly refund the Financing Entity any proceeds of the Sub-grant not used for the purposes of carrying out the Sub-project or for achieving the objectives thereof, or otherwise utilized in a manner in which does not comply with the provisions of this Agreement; and
 - k) Accept that the Financing Entity shall have the right to suspend or terminate the right of the SDA to receive and use the proceeds of the Sub-grant made available under this Agreement upon failure by the SDA to perform any of its obligations under this Agreement.
- 2.23 Shall provide promptly as needed, the resources required for the purpose of the Sub-project.

B. The Financing Entity:

- 2.24 Shall make available to the SDA the proceeds of the Sub-grant provided under this Agreement for the purpose of carrying out the Sub-project activities. The Financing Entity shall also be responsible for monitoring and ensuring the professional and technical quality of the Sub-project outputs. Further, the Financing Entity shall have the final responsibility for suspension or cancellation of the Sub-grant or for obtaining a refund of any Sub-grant proceeds in accordance with the provisions of this Agreement.
- 2.25 Shall have the power to supervise the implementation of the Sub-project until completion, and shall have the right to unimpeded inspection of the Sub-project documentation and facilities at any time.
- 2.26 Shall include in its periodic reports to donors and to the EPF Technical Committee updates on the implementation of the Sub-project.
- 2.27 Shall provide training in project implementation, monitoring, reporting and evaluation, financial management and reporting, procurement procedures and environmental and social safeguards.
- 2.28 Shall provide technical assistance to the SDA in documentation (such as developing or reviewing terms of reference for staff or consultants, on-the-job support in report-writing, etc), as requested by the SDA.
- 2.29 Retain originals of all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Sub-project until at least the later of 30 June 2023, or a date specified by the World Bank.

Article 3: Financing and Disbursements

- 3.1 In accordance to the PIM, the Financing Entity will carry out all transaction above the Kip equivalent to US\$10,000 by Direct Payment.
- 3.2 For the portion of the Subgrant budget which is not executed through Direct Payment, the SDA shall submit in writing "payment requests", as per procedures established in the PIM. Thereafter, the Financing Entity shall disburse the proceeds of the Sub-grant in accordance with the AWPB and upon clearance of outstanding balance.
- 3.2 No withdrawals or payments shall be made for expenditures incurred prior to the date of this Agreement.

- 3.3 If the Financing Entity shall have determined at any time that any amount outstanding in the Sub-Project account shall not be required to cover further payments for eligible expenditures, the SDA shall, promptly upon notice from the Financing Entity, refund to the Financing Entity such outstanding amount.
- 3.4 In the event of suspension or cancellation of the Sub-grant, the SDA shall not make any further withdrawals or disbursement from the Sub-Project account without prior approval from the Financing Entity.
- 3.5 If the Financing Entity shall have determined at any time that any amount of the Sub-grant was used in a manner inconsistent with the provision of this Agreement, the SDA shall, promptly upon notice from the Financing Entity, refund to the Financing Entity an amount equivalent to the amount used.

Article 4: Anticipated Installment schedule

- 4.1 For the portion of the Sub-grant budget which is not executed through Direct Payment, the subgrant shall be paid to the SDA in quarterly installments in accordance with the AWPB as per PIM procedures. The quarterly payments shall be used to finance activities planned for the corresponding quarter. The first installment shall cover the costs for implementing Sub-project activities within the first three months.
- 4.2 Subsequent installments shall be requested by the SDA no later than the 5th day of the last month of the quarter of Sub-project implementation, with a report on the year-to-date cumulative disbursement, and clearance of such disbursements from the Financing Entity. When the cumulative financial report is accepted by Financing Entity, the Financing Entity shall release the requested quarterly installment.
- 4.3 The last installment shall only be provided after fully completing all Sub-project requirements as per procedures described in the PIM unless otherwise agreed with the Financing Entity.

Article 5: Sub-grant Suspension and Cancellation

- 5.1. The right of the Implementing Entity to withdraw or use the proceeds of the Sub-grant may be suspended or canceled by the Financing Entity if the Financing Entity determines that any of the following events have occurred:
 - a) the SDA has failed to implemented any of its obligations stated in this Agreement;
 - b) in the judgment of the Financing Entity, the quality of the Sub-project implementation is deficient, that is the targeted objectives, outputs or outputs as specified in the Sub-project Proposal are not being achieved within the agreed quality and/or time-frame;
 - c) Upon request of the SDA in response to extraordinary circumstances not foreseen in the Sub-project documents, the Financing Entity agrees to the cancellation of Sub-project activities. Prior to such cancellation, the Financing Entity shall request policy advice from the EPF Technical Committee for alternative implementation arrangements. If cancellation is justified, the Financing Entity shall establish the financial and logistic conditions for cancellation;
 - d) in the judgment of the Financing Entity, the SDA has suspended implementation of the Sub-project for such a length of time as to put the purposes of the Sub-project at risk;

- e) the SDA's mandate has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the SDA to implement the Sub-project;
- f) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which shall make it improbable that the SDA will be able to implement the Sub-project; and
- g) The World Bank has suspended or cancelled the right of the Lao People's Democratic Republic to withdraw the proceeds of the financing provided under the Project.

5.2 In the event that the Financing Entity notifies the SDA of a possible suspension or cancellation of the Sub-grant, it may request the SDA to rectify the causes of suspension or cancellation within a limited period of time so as to avoid suspension or cancellation. However, if the Financing Entity deems that the causes of the possible suspension or cancellation of the Sub-grant are not within the responsibility of the SDA, the Financing Entity has the right to suspend or cancel the Sub-grant immediately after official notice to the SDA has been given.

Article 6: Documents Attached to this Agreement

- 6.1 The following documents are attached to this Agreement and shall be deemed to form an integral part of this Agreement:
- a) Official letter from the SDA to the Financing Entity requesting the Project support (cover letter to the sub-project proposal);
 - b) Sub-project proposal;
 - c) Project Implementation Manual;
 - d) Project ESMF and CEF; and
 - e) EPF/Project Vehicle Use Policy.
- 6.2 The documents attached and/or incorporated by reference in this Agreement are legally binding and non-compliance with such documents may be ground for suspension, cancellation or refund of the Sub-grant provided under this Agreement.

Article 7: Amendments to the Agreement

7.1 Amendment to the provisions of this Agreement can be made only with the consent of all parties, which are signatories of this Agreement.

Article 8: Prohibitions

- 8.1 For carrying out civil works, the SDA shall not use heavy equipment not provided for in the attached Sub-project Proposal.
- 8.2 The SDA is prohibited to request free counterpart work from beneficiaries for activities being paid under the Agreement. In the contrary the Financing Entity shall have the full right to immediately suspend or cancel the Sub-grant in such event.
- 8.3 The SDA is not allowed to sub-contract any Sub-project activities under this Agreement to any other party, unless specified in the Sub-project Proposal. However, parts of the Sub-project activities could be sub-contracted, after submitting detailed reasons for sub-contracting and obtaining written permission from the Financing Entity. In cases where the SDA sub-contracts this Agreement without prior consent in writing, the Financing Entity shall have the right to suspend or cancel the Sub-grant and shall not pay the costs of these Sub-project activities to the SDA.

Article 9: Authorized Signatures

9.1 Any document, request or notice directed to any of the parties to this Agreement must be signed by designated representatives of the parties.

Article 10: Duration of the Agreement

10.1 The SDA commits to complete the implementation of the Sub-project within months, to be counted from the date of this Agreement. In case of non-compliance with this provision, the Financing Entity has the right to cancel the Sub-grant or it may decide to allow additional time to complete the Sub-project and so inform the SDA.

Article 11: Addition and Revisions

11.1 In case of unexpected increase in the price of items listed in the AWPB, the SDA shall obtain prior approval from the Financing Entity for exceeding the allocated budgets per cost category, as defined in the Sub-project Proposal.

11.2 The SDA shall not make any claims to the Financing Entity on the basis of incomplete knowledge or errors in the Sub-project design or specifications during or after the implementation of the Sub-project.

Article 12: Settlement of Disputes

12.1 Any conflicts or disputes arising out of or in connection with the interpretation or implementation of this Agreement, which cannot be settled amicably by the parties, shall be decided through judicial proceedings in accordance with the Laws of the Lao PDR.

Article 13: This Agreement shall take effect when signed by all concerned parties

Approved, on this, day of at

Financing Entity



Khampadith KHAMMOUNHEUANG

Subproject Delivery Agency



Dr.Saynakhone INTHAVONG