

The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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March 20, 2008

Dr. Michele Forster
Australian Ambassador to Lao PDR
Rue J. Nehru, Quartier Phone Xay, Saysetha District
Vientiane
Lao PDR

Dear Dr. Forster,

Administration Agreement between Australia and the International Development Association concerning the Multi-Donor Trust Fund for Trade Development Facility (TF No. 070918)

We are pleased to acknowledge on behalf of the International Development Association (“IDA”) the intention of Australia (the “Donor”) to make available as a grant the sum of three million fifty thousand Australian dollars (A\$3,050,000)(the “Contribution”) for the Multi-Donor Trust Fund for Trade Development Facility (the “Project”). Other donors are also expected to contribute to this trust fund on the terms and conditions specified in the Annexes to this Agreement.

The Contribution shall be used to finance the activities and the categories of expenditure set forth in the “Description of Activities and Expenditures under the Multi-Donor Trust Fund” attached hereto as Annex 1. Annex 1 constitutes an integral part of this Agreement.

The Contribution shall be administered by IDA on behalf of the Donor in accordance with the terms of this Agreement and the “Standard Provisions Applicable to the Multi-Donor Trust Fund” (the “Standard Provisions”) attached hereto as Annex 2. The Standard Provisions constitute an integral part of this Agreement.

The Donor shall deposit the Contribution into the International Bank for Reconstruction and Development’s (IBRD’s Cash Account “T” Account No: 011-796208-042, Swift Bic Code: HKBAAU2SXXX, Route Code: HKBAAU HSBC Bank Australia Ltd., HSBC Centre, Floor 11, 580 George Street, Sydney, Australia) in accordance with the following schedule:

- upon countersignature of this Agreement by the Donor and submission of a payment request by IDA, eight hundred thousand Australian dollars (A\$800,000).
- Over the following three (3) years (2009, 2010, 2011), upon submission of a payment request by IDA, seven hundred and fifty thousand Australian dollars (A\$750,000) each year.

When making such deposit, the Donor shall instruct its bank to include in the payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for Multi-Donor Trust Fund for Trade Development Facility TF No. 070918, and the date of the deposit. In addition, the Donor shall provide a copy of the Donor's deposit instruction to IDA's Accounting Trust Funds Division by e-mail sent to tfremittanceadvice@worldbank.org or by fax sent to (202) 614-1315.

Immediately upon receipt of the Contribution funds, the IDA shall convert such funds into United States dollars.

The offices responsible for coordination of all matters related to the implementation and management of this Agreement are:

For IDA:

Senior Economist, EASPR
The World Bank
PathouXay and Nehru Road
Vientiane, P.O. Box 345
Lao PDR

Tel: +856-21-450011
Fax: +856-21-414210

For the Donor:

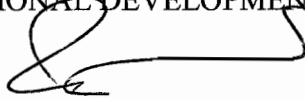
First Secretary, Development Cooperation
Australian Agency for International Development (AusAID)
Rue J. Nehru, Quartier Phone Xay, Saysetha District
Vientiane
Lao PDR

Tel: +856-21-413-600 (ext. 121)
Fax: +856-21-413-613

This Agreement may be amended only by written agreement between IDA, and the Donor; provided, however, that Annex 1 (Description of Activities and Expenditures) and Annex 2 (Standard Provisions) to this Agreement may only be amended with the agreement of all Donors contributing to this trust fund.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by IDA of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION



Ian C. Porter
Country Director, Lao PDR
East Asia and Pacific Region

AGREED:

AUSTRALIA

By: _____

Date: _____

Name: Dr. Michele Forster

Title: Australian Ambassador to Lao PDR

ANNEX 1

**Description of Activities and Expenditures and related Bank Supervisory Activities
under the Multi-Donor Trust Fund for Trade Development Facility (TF No. 070918)**

1. Purposes and Objectives

(a) The Multi-Donor Trust Fund is created to support Lao People's Democratic Republic (Lao PDR) aims in poverty reduction and economic development of Lao PDR, by facilitating trade and cross-border movement of goods, and by increasing capacity of the Government to undertake specific tasks related to regional and global economic integration.

(b) The Multi-Donor Trust Fund will assist Lao PDR in implementing the Action Matrix for Trade-Related Assistance approved by Lao PDR and donors in September 2006, and to achieve the goals set up in Lao PDR's medium-term strategy for increasing growth and export competitiveness, as reflected in Lao PDR's Poverty Reduction Strategy and the National Socio- Economic Development Action Plan.

2. Use of Contribution Funds: Program and Activities to be financed

The Donors' Contributions allocated to this Multi-Donor Trust Fund will be used exclusively for the following purposes:

(a) **Recipient executed activities:** Activities included in the Action Matrix for Trade-Related Assistance which include:

- (i) support trade facilitation,
- (ii) improve product quality and compliance with international sanitary and phyto-sanitary standards (SPS) and technical barriers to trade (TBT);
- (iii) improve export competitiveness and business environment;
- (iv) build capacity in trade policy, trade agreements, and global opportunities;
- (v) strengthening capacity of ministries and agencies (including the National Implementation Unit); and
- (vi) other activities ;

all through the provision of consultant services, goods, training, workshops and works.

(b) Bank executed activities:

- (i) carry out analytical and advisory activities;
- (ii) carry out program management of the TF and donor coordination in supporting GOL's efforts to build a sector-wide approach in trade-related assistance.

The eligible activities for Bank Activities are estimated to cost: US\$1,728,384. The categories of expenditures will include staff costs (co-terminus only), consultant fees, media, workshop, conference and meeting costs, communications and translation, and travel costs.

3. Governance Structure of the Multi-Donor Trust Fund

- (a) Trade Development Facility Steering Committee (TDF Steering Committee):
 - (i) members of the Committee will be representatives of Lao PDR and of the donors who provide financing to the trust fund; it will be co-chaired by a senior representative of the Ministry of Industry and Commerce and by a donor representative agreed by the donors. IDA will participate in the TDF Steering Committee as observer, but will retain the right to approve the decisions of the TDF Steering Committee before implementation. Other key stakeholders will be invited to participate as observers;
 - (ii) the TDF Steering Committee will:
 - (A) provide general oversight and strategic directions, including endorsing annual work plan to be financed under the trust fund, based on a selection of actions from the Action Matrix for Trade-Related Assistance and joint identification missions which have taken place; and
 - (B) review periodic financial and progress reports, prepared by the National Implementation Unit.
- (b) IDA, as the administrator of the Multi-Donor Trust Fund will:
 - (i) ensure that funds are used in accordance with approved work programs and will have the final authority to approve projects, programs or actions in accordance with its procedure;
 - (ii) be responsible for calling development partner meetings and donor coordination, generate commitments, carry out day-to-day management of the Multi-Donor Trust Fund, ensure that activities continue and are well-sequenced across the components, and provide technical assistance to the National Implementation Unit;

- (iii) together with representatives of Lao PDR, set up a yearly Fund Raising Plan of activities directed at raising more funds for the Multi-Donor Trust Fund.
- (c) The National Implementation Unit will be responsible for:
- (i) procurement and financial management arrangements and correspondence in accordance with World Bank rules and procedures;
 - (ii) drafting action plans proposals;
 - (iii) coordinating the Integrated Framework for Trade-Related Technical Assistance Task Forces and Project Units with respect to implementation;
 - (iv) finalizing monitoring reports;
 - (v) providing any other inputs to the Integrated Framework for Trade-Related Technical Assistance National Steering Committee on issues related to policies, strategies and rolling programs.

ANNEX 2

**Standard Provisions Applicable to the Multi-Donor Trust Fund
for Trade Development Facility (TF No. 070918)**

The following provisions (hereinafter referred to as the “Standard Provisions”) shall be applicable to and form an integral part of all agreements entered into between the International Development Association (“IDA”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Contributions”) to be administered by IDA for the Multi-Donor Trust Fund for Trade Development Facility (the “Project”).

1. Administration of the Contributions

IDA shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of IDA under its Articles of Agreement or any applicable law, all of which are expressly reserved.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contribution funds shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of IDA. The Contribution funds may be commingled with other trust fund assets maintained by IDA. The Multi-Donor Trust Fund will be maintained in United States dollars. If a contribution is made in another currency, IDA will convert the contribution in United States dollars.

2.2. The Contribution funds may be freely exchanged by IDA into other currencies as may facilitate their disbursement.

2.3 IDA shall invest and reinvest the Contribution funds pending their disbursement in accordance with IDA’s policies and procedures for the investment of trust funds administered by IDA. IDA shall credit all income from such investment to the trust fund established under this Agreement to be used for the same purposes as the Contribution funds.

3. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by IDA under this Agreement, IDA may, following deposit of Contribution funds, deduct from such funds and retain for the IDA’s own account an amount equal to two percent (2%) of the Contributions.

4. Grant to Recipient

4.1. IDA shall, as administrator on behalf of the Donors, enter into a grant agreement (the "Grant Agreement") with Lao People's Democratic Republic (the "Recipient") for the provision of Contribution funds for the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. IDA shall furnish a copy of the Grant Agreement to the Donors.

4.2. IDA shall be solely responsible for the supervision of Project activities financed under the Grant Agreement.

4.3 IDA will include in any grant agreement signed with the Recipient providing funds from this MDTF a provision that no taxes will be paid with the funds provided to the Recipient.

4.4. If, in IDA's opinion, an amount of the Contribution funds allocated to any of the expenditure categories specified in Annex 1 to this Agreement will be insufficient to finance the expenditures for such category, the Bank may reallocate to such category an amount of the Contribution funds then allocated to another category which, in IDA's opinion, will not be necessary to meet other expenditures. IDA will notify the Donors of such a reallocation.

5. Employment of Consultants and Procurement of Goods and Works

(a) Bank executed activities: the employment and supervision of consultants financed by the Contributions shall be the responsibility solely of IDA and shall be carried out in accordance with its applicable policies and procedures.

(b) Recipient executed activities: the Grant Agreement shall provide that the Contributions shall be used by the Recipient to finance expenditures for goods, works, and services, as the case may be, in accordance with the World Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the World Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect at the date of the Grant Agreement.

6. Accounting and Financial Reporting

6.1. IDA shall maintain separate records and ledger accounts in respect of the Contributions deposited in the trust fund account and disbursements made therefrom.

6.2. Within ninety (90) days of each March 31, June 30, September 30 and December 31, IDA shall furnish to the Donors an unaudited cash-based statement of receipts, disbursements and fund balance in United States dollars with respect to the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.1 after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, IDA shall furnish to the Donors a final unaudited cash-based statement of receipts, disbursements and fund balance in United States dollars with respect to the Contribution funds.

6.3. The Bank shall also provide the Donors with copies of all financial statements and auditors' reports received by IDA from the Recipient pursuant to the Grant Agreement.

6.4. IDA shall provide to the Donors, within six (6) months following the end of each IDA fiscal year, a management assertion together with an attestation from IDA's external auditors concerning the adequacy of internal control over cash-based financial reporting for trust funds as a whole. The cost of such attestations shall be borne by IDA.

6.5. If a Donor wishes to request, on an exceptional basis, a financial statement audit by IDA's external auditors of the trust fund established under this Agreement, the Donor and the IDA shall first consult as to whether such an external audit is necessary. IDA and the Donor shall agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of IDA with respect to such audit, shall be paid by the Donor.

7. Coordination and Project Reporting

7.1. IDA shall provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) months of the final disbursement date specified in paragraph 8.1, IDA shall furnish to the Donors a final report on the Project activities.

7.2. IDA shall promptly inform the Donors of any significant modification to the terms of the Grant Agreement and of any contractual remedy that is exercised by IDA under the Grant Agreement. To the extent practicable, IDA shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

8. Disbursement Deadline; Cancellation; Refund

8.1. It is expected that the Contribution funds will be fully disbursed by IDA in accordance with the provisions of this Agreement by August 31, 2012. IDA shall only disburse Contribution funds for the purposes of this Agreement after such date with the written approval of the Donors.

8.2. Any Donor or IDA may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of the Contribution funds that is not committed pursuant to any agreements entered into between IDA and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreement.

8.3. Upon the final disbursement date specified in paragraph 8.1, IDA shall return any remaining balance of the Contribution funds to the Donors on a *pro rata* basis. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contribution funds in accordance with paragraph 8.2, IDA shall return such cancelled balance to the Donor.

9. Disclosure

IDA may disclose this Agreement and information on this trust fund in accordance with the Bank's policy on disclosure of information.

10. Visibility

All contracts or grant agreements entered into by IDA in relation to activities financed under the trust fund, all publications, training programmes, seminars or symposia financed under the trust fund, and all press releases or other information materials issued by the World Bank with respect to the trust fund shall clearly indicate that the activities in question have received funding from each of the donors to this MDTF.

11. Antiterrorism

Recognizing the obligations of IDA member countries under various United Nations Security Council Resolutions to take measures to prevent financing of terrorists, IDA undertakes to use reasonable efforts, consistent with the IDA's Articles of Agreement and policies, including those pertaining to combating financing for terrorists, to ensure that the funds provided under the Administrative Agreement are used for their intended purposes and are not diverted to terrorist or their agents.