This Administration Agreement is concluded under Direct Management in the context of the Framework Agreement between the World Bank Group and the European Commission which sets the general conditions for this Agreement. The Framework Agreement shall be applicable and form an integral part of the Administration Agreement for the Trust Fund.

1. The International Bank for Reconstruction and Development and the International Development Association (collectively, the “Bank”) acknowledge that the European Commission (the “Donor”, and together with the Bank, the “Parties” and each a “Party”) agrees to provide the sum of two million Euro (EUR 2,000,000) (the “Contribution”) for the Support to Lao PDR’s Public Finance Management Modernization Strategy Single-Donor Trust Fund, No. TF072472 (the “Trust Fund”) in accordance with the terms of this Administration Agreement.

The estimated total budget of the Trust Fund is two million Euro (EUR 2,000,000) including 0 EUR as the total amount of the contribution allocated to recipient executed activities. The indicative budget set out in Annex 4 shall be used for monitoring purpose only and shall not be binding.

2. The Contribution shall be used to finance the activities set forth in the “Support to Lao PDR’s Public Finance Management Modernization Strategy Single-Donor Trust Fund Description” attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Administration Agreement, including the “Standard Provisions” attached hereto as Annex 2.

Expected results of the Trust Fund and corresponding indicators (including baselines, result goals and sources of data) are set out in Annex 3.

The Implementation period shall start on the date following that on which the last of the two parties signs.

3. The Donor shall deposit the Contribution in accordance with the following schedule and in the currency specified in Section 1 above (“Contribution Currency”) into such bank account designated by the Bank (each amount deposited hereinafter referred to as an “Installment”) upon submission of a payment request by the Bank:

(a) Promptly following countersignature – one million Euros (€1,000,000);
(b) Five hundred thousand Euros (€500,000) subject to the disbursement of 70% of the preceding Installment;
(c) Five hundred thousand Euros (€500,000) subject to the disbursement of 70% of the preceding Installment.

The period for payment of further Installments shall be 90 days. The period for payment of the balance shall be 90 days.

4. When making any deposit, the Donor shall instruct its bank to include in its deposit details information (remittance advice) field of its SWIFT deposit message, information indicating: the amount deposited, that the deposit is made by the Donor for TF072472 (the Support to Lao PDR’s Public Finance Management Modernization Strategy Single-Donor Trust Fund), the Commission internal reference number and the date of the Administration Agreement, the name of the project for which the funds are intended, the name of the Commission department responsible for the Trust Fund.

- 1 -
and the date of the deposit (the “Deposit Instructions”). In addition, the Donor shall provide a copy of the Deposit Instructions to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to +1 (202) 614-1315.

5. Except with respect to the Deposit Instructions, any notice, request or other communication to be given or made under this Administration Agreement shall be in writing and delivered by mail, fax or e-mail to the respective Party’s address specified below or at such other address as such Party notifies in writing to the other Party from time to time:

   For the Bank (the “Bank Contact”):
   
   Mr. Ulrich Zachau (or successor thereto)
   Country Director -Southeast Asia
   The World Bank
   30th Floor, Siam Tower
   989 Rama 1 Road
   Pathumwan, Bangkok 10330
   Tel: +66 2686 8300
   Fax: +66 2686 8301
   E-mail: Uzachau@worldbank.org

   For the Donor (the “Donor Contact”):
   
   Mr. Bryan Fornari (or successor thereto)
   Head of Co-operation
   Delegation to the European Union to Lao PDR
   Europe House, Unit 19, Setthathilath Road, Hom 2.
   Haisok Village, Chanthabouly District
   P.O. Box 9325
   Tel: +856 21 255575
   Fax: +856 21 255577
   Email: Bryan.FORNARI@eeas.europa.eu

6. In the event any amounts are to be returned to the Donor under this Administration Agreement, the Bank shall transfer such amounts to the Donor, unless otherwise agreed with the Bank.

7. All annexes hereto and the Framework Agreement between the World Bank Group and the European Commission constitute an integral part of this Administration Agreement, whose terms taken together shall constitute the entire agreement and understanding between the Donor and the Bank. In the event of any inconsistency, the Framework Agreement prevails over the Administration Agreement and the Administration Agreement prevails over its Annexes. Unless otherwise specified in an annex hereto, this Administration Agreement may be amended only by written amendment between the Bank and the Donor.

8. The measures taken to identify the EU as a source of financing shall be in accordance with Attachment 4 of the Framework Agreement.

9. Each of the Parties represents, by confirming its agreement below, that it is authorized to enter into this Administration Agreement and act in accordance with these terms and conditions. The Parties are requested to sign and date this Administration Agreement, and upon possession by the Bank of this fully signed Administration Agreement, this Administration Agreement shall become effective as of the date of the last signature.
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By: Ulrich Zachau
Name: Ulrich Zachau
Title: Country Director - Southeast Asia, The World Bank
Date: 15-12-2015

THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION

By: Bryan Fornari
Name: Bryan Fornari
Title: Head of Cooperation, EU Delegation to Lao PDR
Date: 15 DEC 2015
Support to Lao PDR’s Public Finance Management Modernization Strategy Single-Donor Trust Fund Description

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor.

1. Objective

The objective of the Trust Fund is to support the Government of Lao PDR to strengthen the management of its public finances through provision of technical, analytical and advisory inputs that contribute to establishing and implementing the key guiding principles and policies for sound public finance management (PFM).

2. Activities

The activities (which may be described as “components” of activities) to be financed by the Trust Fund are Bank-executed activities, for which the Bank has implementation responsibility:

Component 1. Support completion of the longer term fiscal development strategy and state budget law revision including, *inter alia*:

- Technical assistance to the Ministry of Finance in developing and finalizing the new Longer Term Fiscal Development Strategy; and
- Technical assistance to support the refinements to the existing State Budget Law.

Component 2. Support draft fiscal policy implementation by assisting the Government to strengthen its budget planning and preparation processes including, *inter alia*:

- Technical assistance to the Budget Department of the Ministry of Finance; and
- Technical and advisory assistance to work with the National Assembly to enhance coordination and strengthen the annual budget preparation process.

Component 3. Support draft fiscal policy implementation by assisting the Government to strengthen its budget execution processes including, *inter alia*:

- Technical assistance to the National Treasury to develop procedures and enforcement mechanisms that enables monthly reporting on all cash flows by provincial treasuries;
- Technical assistance to review and comment on the report forms used by the Treasury and to help the National Treasury to further develop procedures and enforcement mechanisms to improve timely and complete provincial reporting;
- Technical assistance and advice on enhancing the cash management function within the National Treasury;
- Support for a comprehensive Public Expenditure and Financial Accountability (PEFA); and
- Support for a Public Expenditure Review (PER) of priority sectors.
Component 4. Support for the preparation of an action plan for comprehensive PFM reform (detailing the sequencing and priorities of PFM reform in order to ensure better coordination of the areas of support) including, inter alia:

(a) Support for the preparation of a detailed action plan which describes the PFM reform priorities and the areas in which donors could provide support in a comprehensive and coordinated way; and

(b) Technical assistance to the Ministry of Finance of Lao PDR to identify the areas where future PFM support is most needed.

The detailed annual activities will be approved in an "Annual Work Program" prepared and updated jointly between the EU and the World Bank and following close consultation with the Ministry of Finance, and where appropriate with other relevant agencies such as the State Audit Organisation and National Assembly. Changes and additions to the "Annual Work Program" will be able to be approved without the need to amend the Administration Agreement provided that such changes and additions are consistent with the terms of this Administration Agreement including its Annexes.

3. Eligible Expenditures

The Trust Fund funds may be used to finance:

(a) 'Consultant Fees – No Indirect Costs'
(b) Contractual Services
(c) Extended Term Consultants – No Indirect Costs
(d) Field Assignment Benefits
(e) Media, Workshop, Conference and Meeting
(f) Staff Costs – No Indirect Costs
(g) Temporary Staff – No Indirect Costs
(h) Travel Expenses

4. Taxes

The foregoing activities and categories of expenditures may include the financing of taxes in accordance with the Bank’s applicable policies and procedures.
Standard Provisions

This Annex shall be applicable to and form an integral part of the Administration Agreement for the Trust Fund between the Bank and the Donor, it being understood that any plural references in the annexes to Donors, Administration Agreements, Contributions and pro rata shares shall be read as singular references to the Donor, its Administration Agreement, its Contributions thereunder and the remaining uncommitted balance of the Trust Fund, respectively.

1. Administration of the Contributions

1.1 The Bank shall be responsible only for performing those functions specifically set forth in this Administration 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 Administration Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2 Each Donor’s Contribution (collectively, the “Contributions”) shall be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its procurement, financial management, disbursement and safeguard policies, its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council taken under Chapter VII of the United Nations. The Donors acknowledge that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to a Donor.

2. Management of the Contributions

2.1 The funds deposited in the Trust Fund shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The funds deposited in the Trust Fund may be commingled with other trust fund assets maintained by the Bank. The Bank, in its capacity as trustee, has legal title to the funds deposited in the Trust Fund.

2.2 The currency in which the funds in the Trust Fund shall be held is United States Dollars (the “Holding Currency”).

2.3 Donors agree to deposit their Contributions in the Contribution Currency stated in their respective Administration Agreements. In the case of deposits received in a Contribution Currency other than the Holding Currency, promptly upon the receipt of such amounts and the accompanying Deposit Instructions, the Bank shall convert such amounts into the Holding Currency at the exchange rate obtained by the Bank on the date of the conversion. Where deposits prove to be insufficient to complete activities as a result of exchange rate fluctuations, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

2.4 The funds deposited in the Trust Fund may be freely exchanged by the Bank into other currencies as may facilitate their disbursement at the exchange rate obtained by the Bank on the date of the conversion.

2.5 The Bank shall invest and reinvest the funds deposited in the Trust Fund pending their disbursement in accordance with the Bank’s applicable policies and procedures for the investment of trust funds administered by the Bank. The Bank shall transfer all income from such investment to the Donor’s applicable donor balance account with the Bank.
3. **Trust Fund Fees and Costs**

3.1 The Bank shall deduct and retain for its own account, as a deduction from each Installment, an amount equal to five percent (5%) per Installment as an administrative fee for the Trust Fund.

3.2 Each Donor acknowledges and agrees that the percentage deductions for fees in this Trust Fund Fees and Costs section are estimated on the basis of anticipated Contributions. If actual Contributions significantly differ from what was originally anticipated at the time of signature of the first Administration Agreement, or if other circumstances affecting Trust Fund fees or costs change, the Bank reserves the right to request a change to the terms of this Trust Fund Fees and Costs section, which would be effectuated by amendments made to the Administration Agreements of all Donors and which would thereafter be applicable to all new Contributions that are provided either as amendments to supplement existing Administration Agreements or from new Donors under new Administration Agreements.

4. **Accounting and Financial Reporting**

4.1 The Bank shall maintain separate records and ledger accounts in respect of the funds deposited in the Trust Fund and disbursements made therefrom.

4.2 The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the Holding Currency with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

4.3 The Bank shall provide to the Donors via the World Bank’s Trust Fund Donor Center secure website, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit shall be borne by the Bank.

4.4 If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the 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 the Bank with respect to such audit, shall be borne by the requesting Donor.

5. **Progress Reporting**

5.1 The Bank shall provide the Donors with semi-annual reports on the progress of activities financed by the Contributions. Within six (6) months of the End Disbursement Date (as defined below), the Bank shall furnish to the Donors a final report on the activities financed by the Trust Fund.

5.2 Any Donor may review or evaluate activities financed by the Trust Fund at any time up to six (6) months following the End Disbursement Date. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within
the limits of the Bank’s applicable policies and procedures. All associated costs, including any costs incurred by the Bank, shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

6. **Disbursement; Cancellation; Refund**

6.1 It is expected that the funds deposited in the Trust Fund will be fully disbursed by the Bank by September 30, 2017 (the “End Disbursement Date”). The Bank shall only disburse funds deposited in the Trust Fund for the purposes of this Administration Agreement (other than returns to Donors) after such date to the extent such date is changed in accordance with amendments made to the Administration Agreements of all the Donors. Following the End Disbursement Date, the Bank shall return any remaining balance of the Trust Fund to each Donor in the Holding Currency in the manner specified in its respective Administration Agreement on a pro rata basis with regard to the total funds deposited in the Trust Fund by such Donor relative to the total funds deposited in the Trust Fund by all Donors, all calculated as Holding Currency amounts.

6.2 Any Donor may cancel all or part of such Donor’s pro rata share, and the Bank may cancel all or any Donors’ pro rata shares, upon three (3) months’ prior written notice, of any Contributions (paid and not yet paid) that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Administration Agreement, including any Grant Agreements, prior to the receipt of such notice. In the event of a cancellation, the Bank shall return to the Donor its pro rata share in the Holding Currency as specified in the Administration Agreement unless otherwise agreed between the Bank and the Donor.

7. **Disclosure; Dispute Resolution**

7.1 The Bank shall disclose the Administration Agreements and related information on this Trust Fund in accordance with the Bank’s Policy on Access to Information. By entering into Administration Agreements, the Donors consent to such disclosure of their respective Administration Agreements and such related information.

7.2 The Donors and the Bank shall use their best efforts to amicably settle any dispute, controversy, or claim arising out of or relating to the Administration Agreements.
### Results Monitoring and Indicators for the Support to Lao PDR’s Public Finance Management Modernization Strategy Single-Donor Trust Fund

<table>
<thead>
<tr>
<th>Expected Results (Logic of Intervention)</th>
<th>Indicators</th>
<th>Baseline (FY 15)</th>
<th>Result goals (FY 2017)</th>
<th>Source of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outcome: Management of public finances strengthened</td>
<td>1. Reduced primary expenditure variance (in percent of budgeted expenditure)</td>
<td>2.5%</td>
<td>&lt;1.5%</td>
<td>PEFA PI-1</td>
</tr>
<tr>
<td>2. Strong linkages between planning, fiscal, borrowing strategy and annual budgeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Timely disclosure of key fiscal/budget documents (in days or weeks)</td>
<td>3.1 Annual executive budget proposal documentation</td>
<td>15 days</td>
<td>≥20 days</td>
<td>MOF documentation</td>
</tr>
<tr>
<td></td>
<td>3.2 In-year budget execution reports</td>
<td>8 weeks</td>
<td>4 weeks</td>
<td>MOF documentation</td>
</tr>
<tr>
<td></td>
<td>3.3 Audited annual budget execution report and accompanying external</td>
<td>24 months</td>
<td>12 months</td>
<td>MOF documentation, SAO</td>
</tr>
<tr>
<td>report</td>
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<tr>
<td>3.4 Summary of the Budget</td>
<td>4 months</td>
<td>1.5 months</td>
<td>MOF documentation</td>
<td></td>
</tr>
<tr>
<td>4. Approved long-term fiscal development strategy</td>
<td>March 2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Indicative Budget for the Support to Lao PDR's Public Finance Management Modernization Strategy Single-Donor Trust Fund

<table>
<thead>
<tr>
<th>Components</th>
<th>Budget (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Support completion of the Longer-Term Fiscal Development Strategy and State Budget Law revision</td>
<td>212,381</td>
</tr>
<tr>
<td>2. Support Draft Fiscal Policy implementation by assisting the government to strengthen its budget planning and preparation processes</td>
<td>612,451</td>
</tr>
<tr>
<td>3. Support Draft Fiscal Policy implementation by assisting the government to strengthen its budget execution processes</td>
<td>813,448</td>
</tr>
<tr>
<td>4. Preparation of an action plan for comprehensive PFM reform</td>
<td>261,720</td>
</tr>
<tr>
<td>Total</td>
<td>1,900,000</td>
</tr>
<tr>
<td>Admin Fee (5%)</td>
<td>100,000</td>
</tr>
<tr>
<td><strong>Total Costs of the Action</strong></td>
<td><strong>2,000,000</strong></td>
</tr>
</tbody>
</table>