

**LETTER OF AGREEMENT BETWEEN LAO NATIONAL CHAMBER OF COMMERCE AND INDUSTRY  
AND THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**

Dear Mr. Yumkella,

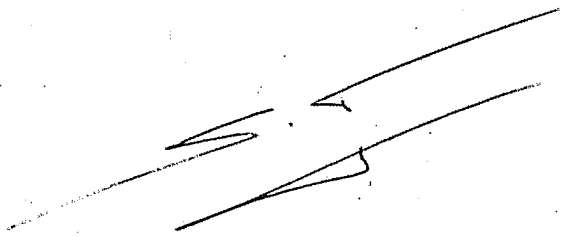
1. Reference is made to consultations between officials of the *Lao National Chamber of Commerce and Industry* (LNCCI, hereinafter referred to as "*the designated institution*") and officials of the *United Nations Industrial Development Agency* (UNIDO, hereinafter referred to as "*the United Nations agency*") with respect to the participation of *the United Nations agency* in the UNDP support to programme/project (Project Award ID: 00045262, Project ID: 00053433) "Promoting Private Sector Development Through Strengthening of Lao Chambers of Commerce and Industry and Business Associations", to be managed by the Government. The latter shall be represented for the purpose of such management by the designated institution; i.e. the Lao National Chamber of Commerce and Industry.
2. The designated institution recognizes that *the United Nations agency* enjoys privileges and immunities under the Convention on the Privileges and Immunities of the Specialized Agencies, to which the Government of Lao PDR became a signatory on 10 October 1988.
3. In accordance with the programme support document or project document and with the following terms and conditions, we confirm our acceptance of the services to be provided by the United Nations agency towards this programme or project. Close consultations will be held between the United Nations agency and the designated institution on all aspects of the services to be rendered as described in Attachment 1: Description of services of this letter of agreement.
4. The United Nations agency shall provide the services and facilities described in Attachment 1: Description of services of this letter of agreement.
5. The designated institution shall retain overall responsibility for the UNDP support to the programme/project and shall designate a programme/project coordinator.
6. The personnel assigned by the United Nations agency to the programme/project, and under contract with the United Nations agency shall work under the supervision of the programme/project co-ordinator. The supervisory arrangements shall be determined in mutual consultation and described in the relevant terms of reference of the personnel. This personnel shall remain accountable to the United Nations agency for the manner in which assigned functions are discharged.
7. In the event of disagreement between the programme/project co-ordinator and the programme/project personnel of the United Nations agency, the programme/project co-ordinator shall refer the matter under dispute to the United Nations agency for the purpose of finding a satisfactory solution. In the interim, the decisions of the programme/project co-ordinator shall prevail.
8. Upon signature of this letter of agreement and pursuant to the budget of the programme support document/project document and the work plan, the designated institution agrees that UNDP will transfer the funds to the United Nations agency, in one installment, upon signatures on this agreement.
9. The United Nations agency shall submit a cumulative statement of expenditure each quarter (31 March, 30 June, 30 September and 31 December). The statement will be submitted to UNDP through the designated institution within 10 days following those dates. The format will follow the standard expenditure report of *the United Nations agency*.
10. The United Nations agency may incur expenditures that exceed its assigned annual budget by four per cent or by US\$20,000.00, whichever is higher, in order to cover differences between actual and pro-forma costs. The designated institution shall adjust its financial records and confirm the revision submitted by the United Nations agency.

11. The United Nations agency shall submit such reports relating to the programme/project as may reasonably be required by the programme/project co-ordinator in the exercise of his or her duties.
12. The United Nations agency shall provide the designated institution with an annual report of non-expendable equipment purchased by the United Nations agency for the programme/project. The report shall be submitted within 30 days following 31 December, and shall be included by the Government designated institution in the main inventory for the programme/project.
13. The United Nations agency shall submit job descriptions and candidates for the posts foreseen in section 1 of Attachment 2 and obtain clearance of the Government designated institution for the personnel to be assigned to the programme/project.
14. Any changes to the programme support document or project document which would affect the work being performed by the United Nations agency in accordance with Attachment 1 shall be recommended only after consultation with the United Nations agency. Any changes to these arrangements shall be effected by mutual agreement through an amendment to this letter of agreement.
15. The arrangements described in this agreement will remain in effect until the end of the programme/project, or the completion of activities of the United Nations agency according to Attachment 2, or until terminated in writing by either party. The schedule of payments specified in Attachment 2 remains in effect based on continued performance by the United Nations agency unless UNDP receives written indication to the contrary by the designated institution.
16. For any matters not specifically covered by this agreement, the appropriate provisions of the programme support document/project document and revisions thereof and the appropriate provisions of the financial regulations and rules of the United Nations agency shall apply.
17. All further correspondence regarding this agreement, other than signed letters of agreement or amendments thereto should be addressed to Dr. Sananh Chounlamany, Vice-President, LNCCI, Phonphanao Village, Saysettha District; POB 4596, Vientiane Capital, Lao PDR.
18. The designated institution and the United Nations agency shall keep the UNDP Resident Representative fully informed of all actions undertaken by them in carrying out this agreement.
19. Any amount from the funds transferred from UNDP to the United Nations Agency that remain unexpended after all the commitments and liabilities have been satisfied, shall be returned to UNDP from *the United Nations agency*.
20. Any dispute, controversy or claim arising from or relating to the interpretation or application of this agreement or any breach thereof (the "dispute") shall, unless amicably settled, be subject to non-binding conciliation in accordance with the UNCITRAL Conciliation Rules as at present in force. In the event that the dispute cannot be resolved through such conciliation, it shall be finally resolved through binding arbitration. The arbitration shall be conducted in accordance with the modalities to be agreed upon by the parties, or in the absence of agreement, with the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organizations and States. The arbitral tribunal will not have the power to impose general, incidental, indirect, special, punitive or consequential damages, including, without limitation, for lost profits. The parties will accept the arbitral award as final.
21. The designated institution shall handle and be responsible for any third-party claim or dispute arising from operations under this agreement against UNDP or the United Nations agency, their officials or other persons performing services on their behalf, and shall hold them harmless in respect of such claims or disputes. The foregoing provision shall not apply where the parties agree that a claim or dispute arises from the gross negligence or willful misconduct of the above-mentioned individuals.

If you are in agreement with the provisions set forth above, please sign and return to this office two copies of this letter. Your acceptance shall thereby constitute the basis for your organization's participation in the programme/project.

Yours sincerely,

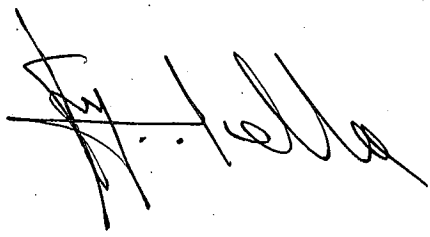
For the Lao National Chamber of Commerce and Industry  
(designated institution)



Dr. Sananh Chounlamany  
Vice-President, LNCCI

Date: 23 / 07 / 2009

Signed on behalf of the United Nations Industrial Development Organization (UNIDO):



Mr. Kandeh Yumkella  
Director-General

Date: 30 / 7 / 09

- A corresponding transfer of the hosting of the National Project Director (NPD) function from NERI to LNCCI, with the latter now contributing both the National Project Director (NPD) and the National Project Manager (NPM).

#### **B. WORK TO BE PERFORMED BY UNIDO (JULY – DEC 2009)**

The October 2008 draft of a Prime Minister's Decree on Business Membership Organizations in the Lao PDR (BMO Decree) is expected to be signed after a last round of intra-government reviews in mid-2009. If promulgated without major substantive changes, it would imply a distinct transformation aimed at the strengthening and unification of the system of chambers of commerce and industry (CCIs) and business associations (BAs) in the country. The draft BMO Decree includes

- Compulsory membership for medium-sized and large enterprises legally registered on the national and provincial level (voluntary membership for smaller and micro enterprises);
- Legal registration of business associations with the Lao National Chamber of Commerce and Industry (LNCCI);
- Proper representation of provincial chambers and business associations in decision-making organs of LNCCI;
- Building CCIs in provinces and Vientiane Capital where CCIs have not yet been established;
- The right of BMO decision-making organs to formulate and/or amend a statute and by-laws that regulate details of procedures.

Overall, the proposed **revised work plan as detailed in Section C. below is fully in line with the main underlying project document formally signed by the Government of Lao PDR, UNDP and UNIDO on 31 July 2006**. It, however, reflects the prioritization of project interventions in accordance with the limited/only partial funding which the cooperation partners managed to mobilize and/or make available to date. Apart from enhanced capacity building support activities geared at LNCCI and select provincial CCIs this prioritization will continue to encompass a **concentration of project support on the creation and successful translation into practice of the legal basis of a new BMO system in Lao PDR**.

Recent project activities (Nov 2008-Jan 2009) included a first assessment at central and provincial levels of **BMO system change implications** that are to fall due with the BMO Decree's promulgation. These pertain to BMO-internal organizational and managerial rules, mechanisms and processes as well as to adjustments in fulfilling the two main BMO functions as (i) service provider/broker and (ii) advocacy body.

#### **RESULTS TO BE ACHIEVED WITH UNIDO SUPPORT**

UNIDO's support is expected to help produce three main results, i.e.

- (i) The successful dissemination of the contents and change implications of the BMO Decree to decision-makers and key staff at central (LNCCI) and provincial (CCI) levels. This will include an understanding of, and agreement on, major change implications that LNCCI, CCIs and BAs will have to act upon;
- (ii) The completion of further legal framework documents governing the work of LNCCI in line with the new BMO Decree, consisting of new LNCCI statutes and a series of by-laws and similar provisions; and
- (iii) Initial capacity building of LNCCI and CCI management and staff to put operational adjustments stemming from the new BMO Decree in place.

The intervention's emphasis will thus be placed on Output 2 (Strengthened management capacities of selected CCIs and BAs), with supplementary action pertaining to Output 5 (Project management and technical services) as per the main project document, respectively.

#### **KEY UNIDO-SUPPORTED ACTIVITIES**

Advisory, coaching and capacity-building assistance will be directed at (the):

- Launch of the BMO Decree and dissemination workshops at central and provincial levels;
- Holding of a "Forum on BMO system change implications" (presentation and discussion of Nov 2008-Jan 2009 empirical analyses of adjustment/change management needs anticipated at central and provincial levels upon the BMO Decree's promulgation; event to have informed discussions with/among CCI and BA leaders as well as key representatives of national and provincial governments);
- Build-up of a LNCCI capacity for the formulation and amendment of, and BMO consulting on by-laws and other legal documents;
- Formulation of draft LNCCI articles of association and by-laws (on elections, membership fees, BMO registration procedures, general secretariat operations);
- LNCCI website upgrading;
- Training of BMO staff including training of trainers on core management challenges and preparation of LNCCI business services provision/strengthening of LNCCI service delivery capacities (*to be refined/specified at the actual start of implementation*);
- LNCCI-led stakeholder consultations with UNDP, UNIDO and others, for the preparation of a follow-up proposal, with the objective of ensuring maximum coordination among, and synchronization of, forthcoming technical cooperation inputs.

#### **C. DESCRIPTION OF SERVICES:**

The details of the proposed project activities are provided in the **table below** (pp. 4-5). It only captures action planned for/by **UNIDO as "Responsible Party"** which consequently are **the subject of the current Letter of Agreement and accordingly reflected in Attachment 2** (Schedule of services, facilities and payments).

Outputs and activities (Project Work Plan): July-December 2009

Expected CP Output	Planned Activities	Timeframe 2009				Responsible Party	Source of Funds	Planned Budget Q1-Q4 2009		
		Origin	Q1	Q2	Q3			Q4	BL Code	Description
<p><b>2. Strengthened management capacities of selected CCIs and Bas</b></p> <p>Target: Improve internal management of LNCCI, CCIs and Bas.</p> <p>Indicator: LNCCI and 8 out of 14 CCIs, 50% of Bas improved their management structure and operations.</p> <p>Baseline: No clear understanding among staff of CCIs and Bas about their role and function.</p>	<p>2.1 Build LNCCI capacity in formulating, amending, and BMO consulting on By-laws:</p> <ul style="list-style-type: none"> <li>- Strengthen LNCCI legal function/office with expert staff,</li> <li>- Staff training/coaching.</li> </ul> <p>2.2 Formulation of draft LNCCI By-laws and supporting documents for General Assembly deliberations:</p> <ul style="list-style-type: none"> <li>- Articles of Association,</li> <li>- Election By-law,</li> <li>- Membership Fees By-law and schedule,</li> <li>- By-law on BMO Registration Procedures,</li> <li>- By-law on General Secretarial Operations</li> </ul> <p>2.3 Support to implementation of BMO Decree (2):</p> <ul style="list-style-type: none"> <li>- Implement General Assembly voting on By-laws;</li> <li>- Forum on chamber system change implications:</li> </ul>		<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	UNDP	61100		
							UNIDO	71200	InternatConsult 0,25w/m x 15000\$	3,750
							UNIDO	71300	Lawyer/DeptDir.3w/m x 2000\$	6,000
								71605		
								72200		
							UNIDO	72400	Communications, 6mo. x 50\$	300
							UNIDO	72500	CCI law literature, office supplies	1,000
							UNIDO	72800	Computer, printer, peripherals	2,000
								73400		
							UNIDO	74500	Miscellaneous	500
										<b>13,550</b>
								61100		
							UNIDO	71200	InternatConsult 0,75w/m x 15000\$	11,250
								71300		
						74500				
								<b>11,250</b>		
					UNDP					
						61100				
						71200	InternatConsult 0,75w/m x 15000\$	11,250		
						71200	InternatConsult 0,75w/m x 15000\$	11,250		



**ANNEXES:**

Attach, as appropriate, job descriptions for consultants, terms of reference for contracts, technical specifications for equipment items, training nomination forms, etc.

**Draft job descriptions for short-term international and national experts to be inserted.**



**ATTACHMENT 2 TO THE****LETTER OF AGREEMENT BETWEEN LAO NATIONAL CHAMBER OF COMMERCE  
AND INDUSTRY AND THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION****SCHEDULE OF SERVICES, FACILITIES AND PAYMENTS**

The provision of UNIDO support services as per Attachment 1 above **translates into the following budget line allocations**, shown according to (1) UNDP and (2) UNIDO accounting system requirements.

**(1) UNDP Cost Break Down According to Major Budget Lines (in US\$)**

Section	Budget line	Work months	Total costs	Estimated expenditure by year		Schedule of payments	
				2009		2009	Year . ..n
Section 1: Personnel	71200	2.5	37,500	37,500		July 09	
	71300	7.0	14,000	14,000		July 09	
	71600		10,000	10,000		July 09	
Section 2: Contracts	72100		3,600	3,600		July 09	
Section 3: Training	71610		5,850	5,850		July 09	
	71620		11,250	11,250			
Section 4: Equipment (IT)	72800		2,000	2,000		July 09	
Section 5: Miscellaneous	74500		2,200	2,200		July 09	
	72500		1,000	1,000			
	72400		300	300			
Section 6: Micro-capital grants							
UNIDO support costs (10%)			8,770	8,770		July 09	
<b>Total</b>			<b>96,470</b>	<b>96,470</b>		July 09	

**Note:**

- Expenditures for personnel services may be limited to salary, allowances and other entitlements, including the reimbursement of income taxes due and travel costs on appointment to the programme/project, duty travel within the programme country or region and repatriation costs.
- The designated institution shall be responsible for providing miscellaneous services such as secretarial assistance; postage and cable services and transportation as may be required by the United Nations agency personnel in carrying out their assignment.
- Adjustments within each of the sections may be made in consultation between the designated institution and the United Nations agency. Such adjustments may be made if they are in keeping with the provisions of the programme support document or project document and if they are found to be in the best interest of the programme or project.

**(2) UNIDO Cost Break Down According to Major Budget Lines (in US\$)**

BL UNIDO	Description	US\$
1150	International experts: - Lead expert - BMO capacity-building advisor/coach, 1.3 w/m - BMO legal/management specialist: change management, 1.2 w/m	37,500
1500	Project travel by project staff: 10% of LocTravel and LocDSA (estimate)	1,710
1600	UNIDO staff travel (two missions UNIDO PM for monitoring/planning purposes: Forum on BMO system change implications, LNCCI GA mtg)	10,000
1750	National experts, totalling 8 w/m (precise breakdown tbd), on: - Legal advisor/lawyer: setup of LNCCI legal unit/department - Membership administration and organizational structure - LNCCI website upgrading - Feasibility analysis/training of trainers: preparation of LNCCI action plan/programme on services delivery	14,000
2100	Subcontracts	3,600
3300	Training (in-country): Awareness-raising BMO Decree, BMO change management implications, pilot trainings BMO service delivery	16,490
4500	Equipment	2,000
5100	BMO Decree dissemination, translation/interpretation services, other misc., contingency	2,400
	Subtotal	87,700
	10% UNIDO support costs	8,770
9900	<b>PROJECT TOTAL (US\$)</b>	<b>96,470</b>

**PAYMENT INSTRUCTIONS**

Upon signature of this Agreement, the contribution amount shall be paid into the following UNIDO bank account:

JP Morgan Chase  
 UNIDO/IDF Account No. 949-2-416442  
 ABA No.: 021 000 021  
 1166 Park Avenue  
 New York, N.Y. 10017, USA