Project Agreement

(Poverty Reduction Fund Project II)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

POVERTY REDUCTION FUND

Dated July 14, 2011
PROJECT AGREEMENT

AGREEMENT dated July 14, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and POVERTY REDUCTION FUND ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the Lao People’s Democratic Republic ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Executive Director of the Poverty Reduction Fund.
4.02. The Association’s Address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable: Telex: Facsimile: 
INDEVAS 248423(MCI) 1-202-477-6391

Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

Poverty Reduction Fund  
Souphanouvong Road  
Vientiane  
Lao People’s Democratic Republic

Facsimile:

85621-26-1481

AGREED at Vientiane, Lao People’s Democratic Republic, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Annette Dixon  
Authorized Representative

POVERTY REDUCTION FUND

By /s/ Bounkouang Souvannaphanh  
Authorized Representative
Section I. Implementation Arrangements

A. Project Management

1. The Project Implementing Entity shall:

   (a) carry out the Project in accordance with the Project Operational Manual, which shall include, inter alia: (i) detailed implementation arrangements; (ii) a procurement manual which shall include procurement procedures in compliance with Section III of Schedule 2 to the Financing Agreement and standard procurement documentation; (iii) reporting requirements, a finance and administrative manual which shall include financial management procedures and audit procedures referred to in Section II of this Schedule, and a financial management action plan; (iv) performance indicators as set forth in Section II.A.1(b) of Schedule 2 to the Financing Agreement; (v) the Environmental and Social Management Framework, the Ethnic Groups Development Framework, the Compensation and Resettlement Policy Framework and the Pest Management Plan; (vi) procedures and criteria for Community Development Sub-projects, including their selection;

   (b) undertake not to amend, suspend, abrogate, repeal or waive or permit to be amended, suspended, abrogated, repealed, or waived, any provisions of the Project Operational Manual without the prior written agreement of the Association; and

   (c) ensure that the Project Operational Manual is made available to Beneficiaries at all times and relevant provisions thereof applied in the carrying out of Community Development Sub-projects.

2. In the event of any conflict between the provisions of the Project Operational Manual and those of this Agreement, the latter shall prevail.

B. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Sub-projects
1. No Community Development Sub-project shall be eligible for financing out of the proceeds of the Financing unless: (a) the corresponding proposals for the Community Development Sub-project have been prepared and submitted, and the review of proposals and award of the Community Development Sub-grants have been undertaken by a Kum Ban Committee, in accordance with the guidelines, procedures and selection criteria set forth in the Project Operational Manual; and (b) each Community Development Sub-grant Agreement for the carrying out of the relevant Sub-project as made in accordance with the procedures and the terms and conditions referred to in this Section I.C and in the Community Development Sub-grant Agreement shall have been entered into between the PRF and the relevant Beneficiary.

2. The Project Implementing Entity shall ensure that a Community Development Sub-project is not used as an incentive or a tool to support or implement involuntary resettlement.

3. No Community Development Sub-grant shall be made to finance expenditures pertaining to or involving: (a) a military or paramilitary purpose; (b) civil works for government administration or religious purposes; (c) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides except for those permitted in the Pest Management Plan and herbicides), arms or drugs; (d) the manufacture or use of dynamite; (e) the salaries, bonuses, fees or honoraria of members of the Recipient’s civil service; (f) labor and working conditions involving harmful, exploitative involuntary or compulsory forms of labor, forced labor or child labor, or significant occupational health and safety issues; (g) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (h) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient’s agency responsible for the management and/or protection of such area; (i) land reclamation covering an area in excess of 50 hectares; (j) alterations to river courses; (k) new irrigation facilities covering an area in excess of 50 hectares; (l) the construction of water retaining or storage structures of a capacity greater than ten thousand (10,000) cubic meters, or having a retaining wall of ten (10) meters or more; or any other purpose that would not be consistent with, or that would not facilitate the realization of the objective of the Project.

4. The amount of each Community Development Sub-grant shall be determined in accordance with the provisions of the Project Operational Manual.

5. Each Community Development Sub-grant Agreement shall include, inter alia, the following:

   (a) the amount of the Community Development Sub-grant denominated in Kip;
(b) details of agreed disbursement schedules;

(c) the amount of the community’s contribution to the implementation of the Community Development Sub-project;

(d) provisions to suspend or terminate the right of the Beneficiary to use the proceeds of the Community Development Sub-grant, or obtain a refund of all or any part of the amount of the Community Development Sub-grant then withdrawn, upon the Beneficiary’s failure to perform any of its obligations under the Community Development Sub-grant Agreement;

(e) requirements to: (i) carry out each Community Development Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant and Credit proceeds other than the Recipient and the following documents: Environmental and Social Management Framework, the Compensation and Resettlement Policy Framework, the Ethnic Group Policy Framework, and the Pest management Plan; (ii) provide, promptly as needed, the resources required for the purpose of the Community Development Sub-project; (iii) procure the goods, works and services to be financed out of the Community Development Sub-grant in accordance with the provisions of Section III of this Agreement; (iv) maintain adequate records to reflect, in accordance with sound accounting practices acceptable to the Association, the operations, resources and expenditures relating to the Community Development Sub-project; (v) enable the Recipient and the Association to inspect the Community Development Sub-project, its operation and any relevant records and documents; and (vi) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

6. The Project Implementing Entity shall exercise its rights under each Community Development Sub-grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, The Project Implementing Entity shall not assign, amend, abrogate or waive any Community Development Sub-grant Agreement or any of their provisions.

D. Safeguards

1. The Project Implementing Entity shall carry out the Project in accordance with the Environmental and Social Management Framework, the Compensation and
Resettlement Policy Framework, the Ethnic Group Policy Framework, and the Pest Management Plan. The Project Implementing Entity shall likewise duly comply with the terms of any plans prepared under the Environmental and Social Management Framework, the Compensation and Resettlement Policy Framework, the Ethnic Group Policy Framework.

2. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not amend or waive any provision of the Environmental and Social Management Framework, the Compensation and Resettlement Policy Framework, the Ethnic Group Policy Framework, and the Pest Management Plan.

3. In the event of any inconsistency between the provisions of this Agreement and those of the Financing Agreement, any of the Environmental and Social Management Framework, the Compensation and Resettlement Policy Framework, the Ethnic Groups Development Framework and, any, and the Pest Management Plan, the provisions of the Financing Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators mentioned in Section II.A.1.(b) of Schedule 2 to the Financing Agreement. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient and the Association not later than two (2) months after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Parts of the Project.

2. Without limitation on the provisions of Part A of this Section, the Project implementing Entity shall prepare and furnish to the Recipient and the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

1. All goods, works and consultants’ services required for the Project Implementing Entity’s Respective Parts of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.