Project Agreement
(Second Additional Financing For Water Sector Improvement Project)
In Support of the Second Phase of the Water Sector Improvement Program

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

Dated 07 - July - 2014
PROJECT AGREEMENT

AGREEMENT dated July 7, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the KINGDOM OF LESOTHO ("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 and the APL Program. To this end, the Project Implementing Entity shall carry out Part D of 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 its Respective Part of 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 its Respective Part of 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 its chief executive.
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:

Tower Building
Kingsway
Maseru
Lesotho

Cable:          Telex:          Facsimile:

_________________________  __________________________  ________________
AGREED at Maseru, July 7, 2014, as of the
day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: ASAD ALAM
Title: COUNTRY DIRECTOR

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

By

[Signature]
Authorized Representative

Name: REFILOE TLALI
Title: CHIEF EXECUTIVE
SCHEDULE

Execution of the Project Implementing Entity’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. The Project Implementing Entity shall carry out Part D of the Project under the overall strategic guidance of the Lesotho Highlands Water Commission. To this end, the Project Implementing Entity shall appoint within the LHDA, and maintain at all times during the implementation of the Project, a Project Management Unit with adequate staff, including a Project manager, resources and terms of reference satisfactory to the Association, with the responsibility for prompt and efficient day-to-day implementation of activities under Part D of the Project and such other functions as set forth in Project Implementation Manuals.

2. Project Implementation Manual

(a) The Project Implementing Entity shall carry out the Project in accordance with the Project Implementation Manual referred to in Section 5.01(b) of the Financing Agreement; provided, however, that in the event of any conflict between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

(b) Except as the Association shall otherwise agree, the Project Implementing Entity shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

3. Annual Work Plan

The Project Implementing Entity shall prepare and furnish to the Association, not later than March 15 in each year during the implementation of the Project, a proposed Annual Work Plan containing all activities proposed to be carried out under its Respective Part of the Project in the following calendar year, and shall thereafter, implement its Respective Part of the Project in accordance with said Annual Work Plan as shall have been approved by the Association.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.
C. **Safeguards**

1. The Project Implementing Entity shall ensure that its Respective Part of the Project is implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.

2. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall regularly collect, compile and submit to the Association, in accordance with Section II of this Schedule, reports on the status of compliance with the Safeguard Documents, giving details of:

   (a) measures taken in furtherance of the Safeguard Documents;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and

   (c) remedial measures taken or required to be taken to address such conditions.

**Section II. Project Monitoring, Reporting and Evaluation**

A. **Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports for its Respective Part of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Recipient not later two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient, not later than four (4) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

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 Part of the Project.
2. 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 fiscal year of the Project Implementing Entity or such period as the Association may agree. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. **Procurement**

All goods, works and services required for the Project Implementing Entity’s Respective Part 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.