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**CREDIT NUMBER 3675-LA  
GRANT NUMBER H4180-LA**

# **Project Agreement**

**(Amending and Restating Original Project Agreement For the  
Poverty Reduction Fund Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**POVERTY REDUCTION FUND**

**Dated July 25, 2008**

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**PROJECT AGREEMENT**  
**(Amending and Restating Original Project Agreement)**

Agreement dated July 25, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the POVERTY REDUCTION FUND (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between LAO PEOPLE’S DEMOCRATIC REPUBLIC (“Recipient”) and the Association.

WHEREAS (A) by the agreement dated August 19, 2002 between the Association and the Recipient, as amended (“Development Credit Agreement”), the Association agreed to provide the Recipient with a credit in an amount equivalent to fifteen million three hundred thousand Special Drawing Rights (SDR 15,300,000) to assist in financing the Poverty Reduction Fund Project described in Schedule 2 to the Development Credit Agreement, and by an agreement of even date between the Association and the Poverty Reduction Fund (“Original Project Agreement”), the Poverty Reduction Fund agreed to undertake such obligations toward the Association as set forth in such agreement;

(B) the Recipient has requested the Association to provide additional financial assistance in support of the Poverty Reduction Fund Project by increasing the amount made available under the Development Credit Agreement with a grant in an amount in various currencies equivalent to nine million three hundred thousand Special Drawing Rights (SDR 9,300,000); and

WHEREAS the Project Implementing Entity, in consideration of the Association’s entering into the Financing Agreement with the Recipient, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the Association and the Project Implementing Entity hereby agree to amend and restate the Original Project Agreement to read 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 years (20) after the date of this Agreement.

**ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity's Representative is the Executive Director.
- 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 Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Poverty Reduction Fund  
c/o Ministry of Planning and Investment  
Luang Prabang Rd  
Vientiane, Lao PDR

Telephone:	Facsimile:
+856 21 261 480	+856 21 261 481

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ian Porter

Authorized Representative

POVERTY REDUCTION FUND

By /s/ Sivixay Saysanavongphet

Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Project Implementing Entity shall: (i) maintain until completion of the Project, an Executive Director, whose qualifications and experience shall be acceptable to the Association, to be responsible for its day-to-day management and administration, and (ii) employ and maintain qualified and experienced staff in adequate numbers, including: (a) a monitoring and evaluation coordinator; (b) a planning, operations and training coordinator; (c) a chief finance and administration officer; and (d) other requisite resources as shall be satisfactory to the Association; and shall take all measures necessary to enable said Executive Director and staff to undertake the overall day-to-day supervision and coordination of the Project.

2. The Project Implementing Entity shall maintain until completion of the Project, a provincial technical support team in each Project province or district, consisting of a coordinator, community institutional development advisor, financial management expert, a monitoring and evaluation expert, technical advisors, and community development facilitators, all in accordance with the relevant provisions of the Operations Manual.

##### B. Implementation Obligations

3. The Project Implementing Entity shall at all times carry out its operations in accordance with the provisions of the Operations Manual and Finance and Administration Manual, as both said manuals may be amended by the Project Implementing Entity, from time to time with the prior approval of the Association, which, except as the Association shall otherwise agree, shall:

(a) in the case of the Operations Manual, include: (i) Project implementation arrangements; (ii) procurement procedures consistent with Section III of Schedule 2 to the Financing Agreement; (iii) reporting requirements; (iv) monitoring and evaluation arrangements; (v) criteria for the selection of Sub-projects; (vi) terms and conditions governing the Sub-grants; (vii) the Social and Environmental Guidelines; and (viii) guidelines for training and capacity building; and

(b) in the case of the Finance and Administration Manual, include provisions that set forth the day-to-day finance and administrative procedures of the Project Implementing Entity, including its accounting, financial and auditing procedures.

4. The Project Implementing Entity shall not, without the prior written approval of the Association amend, waive, cancel, or abrogate any of the provisions of either the Operations Manual or the Finance and Administration Manual, including the formula used to calculate the Project Implementing Entity annual district budgetary ceilings, without the prior concurrence of the Association.

5. The Project Implementing Entity shall, by April 30 in each year, commencing April 30, 2009, furnish to the Association for approval, the annual list of districts selected for purposes of Part A of the Project.

6. The Project Implementing Entity shall furnish the following assessments, acceptable to the Association:

- (a) by October 31, 2009, an assessment of participatory approaches at the community level;
- (b) by February 28, 2010, a technical assessment of infrastructure quality; and
- (c) by November 30, 2010, an assessment of beneficiary satisfaction and utilization of the implemented Sub-projects and an assessment of capacity building of local institutions.

7. The Project Implementing Entity shall not enter into any cooperative or other arrangement involving the use of the proceeds of the Credit and the Grant, or pertaining thereto, with other ministries and agencies of the Recipient, or any bilateral and multilateral donor agencies without the prior approval of the Association.

8. The Project Implementing Entity shall ensure that:

(a) each Sub-project shall, in accordance with the relevant provisions of the Social and Environmental Guidelines, include an analysis of any potential land acquisition or adverse environmental effects, as the case may be, arising from the implementation of said Sub-project, regardless of the source of Sub-project financing;

(b) each Sub-project shall be carried out in a manner acceptable to the Association and monitored on a regular basis by the Project Implementing Entity, all in accordance with the relevant provisions of the Social and Environmental Guidelines;

(c) each Sub-project shall be carried out in its entirety on public land, and that at all times the ownership of the goods, works and services under each Sub-project shall remain the public domain or otherwise revert to the Recipient; and

(d) each Sub-project shall not involve any compulsory acquisition of land, forcible eviction or involuntary resettlement of persons, and if land acquisition should be required, it shall be undertaken exclusively on the basis of voluntary land donations, and in accordance with the guidelines and procedures set forth in the Social and Environmental Guidelines.

**C. Anti-Corruption**

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

**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 indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient not later forty five days 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. Notwithstanding paragraph A.1 of this Section II, the Project Implementing Entity Recipient, shall prepare, under terms of reference satisfactory to the Association, and, no later than March 15, 2009, furnish to the Recipient for further forwarding to the Association, annual reports integrating results of the monitoring and evaluation activities performed under the Project including those performed under paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, providing for a Procurement Plan for the next period, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.
3. 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 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 not later than thirty (30) 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 for incorporation and forwarding by the Recipient to the Association as part of the overall interim unaudited financial reports.
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 period shall be furnished to the Association not later than six (6) months after the end of the period.

**Section III. Procurement**

All goods, works and services required for 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.