

**OFFICIAL  
DOCUMENTS**

---

---

CREDIT NUMBER 5827-LA

**Project Agreement**

**Poverty Reduction Fund Project III**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**POVERTY REDUCTION FUND**

Dated *July 13*, 2016

---

---

## **PROJECT AGREEMENT**

AGREEMENT dated *July 13*, 2016, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the POVERTY REDUCTION FUND (“Project Implementing Entity”) in connection with the 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 described in Schedule 1 to the Financing Agreement (“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

Facsimile:

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Poverty Reduction Fund  
Nahaidiew Road  
P.O. Box 4625  
Vientiane Capital  
Lao People's Democratic Republic

Facsimile:

856-21-26-1481

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Ulrich Zachau

Title: Country Director

POVERTY REDUCTION FUND

By



Authorized Representative

Name: Bounkhouang SOUVANNAPHANH

Title: Executive Director

## SCHEDULE

### **Section I. Implementation Arrangements**

#### **A. Institutional Arrangements**

1. For the purposes of carrying out the Project, the Project Implementing Entity shall maintain, at all times during the implementation of the Project, a Project implementation team with a mandate, functions and resources, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association.
2. For the purpose of providing oversight and overall coordination in the implementation of the Project, the Project Implementing Entity shall maintain, throughout the period of implementation of the Project, its Board of Directors, which shall serve as a steering committee for the Project and, to this end, shall meet twice a year or more often if required for the purposes of, *inter alia*, providing strategic and policy guidance on the implementation of Project activities and supporting coordination of Project activities.

#### **B. Project Operational Manual**

The Project Implementing Entity shall carry out the Project in accordance with the arrangements and procedures set out in the Project Operational Manual ("POM") (provided, however, that in the event of any conflict between the arrangements and procedures set out in the POM and the provisions of this Agreement, the provisions of this Agreement shall prevail) and shall not amend, abrogate or waive any provision of the POM unless the Association has provided its prior no-objection thereof in writing.

#### **C. Annual Work Plans and Budgets**

1. The Project Implementing Entity shall furnish to the Association not later than December 31 of each fiscal year of the Recipient during the implementation of the Project (or such later date as the Association may agree) for the Association's approval, a consolidated Annual Work Plan and Budget ("AWPB") containing all Project activities and Eligible Expenditures proposed to be included in the Project in the Recipient's following fiscal year, including the Recipient's proposed counterpart share in the cost of the AWPB.
2. The Project Implementing Entity shall carry out the Project in accordance with the AWPB (provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail).

3. The Project Implementing Entity shall not make or allow to be made any change to the AWPB without prior approval in writing by the Association.

**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, and the Ethnic Group Planning Framework.
2. Whenever a Safeguard Assessment and Plan shall be required for any proposed Project activity in accordance with the provisions of the ESMF, the CRPF and the EGPF, the Project Implementing Entity shall ensure that: (a) prior to the commencement of such activity, such Safeguard Assessment and Plan is, as applicable: (i) prepared and furnished to the Association for review and no-objection; (ii) disclosed and consulted upon in accordance with the provisions of the ESMF, the CRPF or the EGPF as the case may be; and (iii) thereafter finalized and adopted as accepted by the Association, in a manner satisfactory to the Association; and (b) thereafter such measures are taken as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Assessment and Plan.
3. The Project Implementing Entity shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESMF, the CRPF, the EGPF, and the Safeguard Assessments and Plans, unless the Association has provided its prior no-objection thereof in writing, and the Project Implementing Entity has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.
4. The Project Implementing Entity shall ensure that a Sub-project is not used as an incentive or a tool to support or implement involuntary resettlement.
5. Without limitation upon its other reporting obligations under this Agreement, the Project Implementing Entity shall collect, compile and furnish to the Association on a six (6)-monthly basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESMF, the CRPF, the EGPF and the Safeguard Assessments and Plans, giving details of:
  - (a) measures taken in accordance with the said instruments;
  - (b) conditions, if any, which interfere or threaten to interfere with the implementation of the said measures; and
  - (c) remedial measures taken or required to be taken to address such conditions.

6. In the event of any conflict between the provisions of any of the ESMF, the CRPF, the EGPF or the Safeguard Assessments and Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**E. Sub-projects**

1. The Project Implementing Entity shall provide Sub-grants for financing Sub-projects under Part 1.2 of the Project in accordance with the eligibility criteria (including negative checklist of excluded activities) and approval and administration arrangements set out in the Project Operational Manual.
2. Without limitation upon the foregoing, the Project Implementing Entity shall make each Sub-grant under a Sub-grant Agreement with the respective Beneficiary in accordance with the POM and under terms and conditions acceptable by the Association, which shall include, *inter alia*:
  - (a) A description of the eligible Sub-project activities and expenditures to be financed out of the proceeds of the respective Sub-grant, and the amount of the Sub-grant which shall be denominated in Kip;
  - (b) The obligations of the respective Beneficiary to:
    - (i) carry out the Sub-project in accordance with the approved work plan and budget in respect of such Sub-project;
    - (ii) ensure that the Sub-project is carried out with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices, including in accordance with the provisions of the POM and the Anti-Corruption Guidelines applicable to recipients of Financing proceeds other than the Recipient;
    - (iii) provide or cause to be provided, promptly as needed, the resources required for the purpose;
    - (iv) ensure that the goods, works and/or services to be financed out of the Sub-grant are procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement;
    - (v) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-project and the achievement of its objectives, and prepare and furnish to the Project Implementing Entity semi-annual progress reports;

- (vi) ensure compliance with the environmental and social safeguard requirements set forth in this Agreement, including those provided in the ESMF, the CRPF, the EGPF and the Safeguard Assessments and Plans;
  - (vii) (A) maintain or cause to be maintained a financial management system and prepare or caused to be prepared financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (B) at the Project Implementing Entity's, Association's or the Recipient's request, ensure that such financial statements are audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish or cause to be furnished the statements as so audited to the Project Implementing Entity, the Recipient and the Association;
  - (viii) enable the Project Implementing Entity, the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and
  - (ix) prepare and furnish or cause to be prepared and furnished to the Project Implementing Entity, the Recipient and the Association all such information as the Project Implementing Entity, the Recipient or the Association shall reasonably request relating to the foregoing; and
- (c) The right of the Project Implementing Entity to suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement.
3. The Project Implementing Entity shall exercise its respective rights and perform its respective obligations under each Sub-grant Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.



**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 acceptable to the Association and set forth in the Project Operational Manual. Each such Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than forty-five (45) days 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 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 Recipient. 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**

All goods, works, non-consulting services and consultants' 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.