

**CONFORMED COPY**

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**GRANT NUMBER H672-NP**

# **Project Agreement**

**(Additional Financing for the Poverty Alleviation II Project)**

**between**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**and**

**POVERTY ALLEVIATION FUND**

**Dated July 13, 2011**

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## **PROJECT AGREEMENT**

AGREEMENT dated July 13, 2011, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and POVERTY ALLEVIATION FUND (“Project Implementing Entity” or “PAF”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between NEPAL (“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 Original Project Agreement, the Original Financing Agreement, 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 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 after the date of this Agreement.

**ARTICLE IV — REPRESENTATIVE; ADDRESSES**

4.01. The Project Implementing Entity's Representative is the Vice-Chairperson to its Board of Directors.

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 Alleviation Fund  
Kathmandu, Nepal

Facsimile: (977-1) 444-2450

AGREED at Kathmandu, Nepal, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Lal Shanker Ghimire

Authorized Representative

POVERTY ALLEVIATION FUND

By /s/ Raj Babu Shrestha

Authorized Representative

## SCHEDULE

### Execution of the Project

#### Section I. Subsidiary Financing Agreement; Implementation Arrangements

##### A. Subsidiary Financing Agreement

PAF shall maintain, and comply with, all the commitments and obligations set forth in: (i) the Subsidiary Financing Agreement, as further amended, satisfactory to the Association, to reflect the availability of this Financing for the further implementation of the Project; and (ii) the Original Project Agreement.

##### B. Institutional Arrangements

Unless the Association shall otherwise agree, PAF shall maintain, subject to satisfactory performance, for purposes of this Project: (a) its Board of Directors and operation thereof; and (b); the PAF core team headed by an Executive Director, including division chiefs, monitoring and evaluation officers, and procurement and finance officers, each having skills, qualification, experience and terms of reference satisfactory to the Association. Should any vacancy occur in any of the positions referred to in sub-paragraph (b) above, PAF shall ensure that replacement is made within four (4) months from the date such vacancy occurs.

##### C. Implementation Arrangements

PAF shall maintain, for purposes of this Project, all the implementation arrangements set forth in the Original Project Agreement and the commitments made in relation thereto, concerning the maintenance of, and compliance with:

- (a) the Operational Manual and Financial Management Manual;
- (b) the implementation of its Human Resource Development Plan agreed with the Association;
- (c) the contracting of POs for the purposes of, *inter alia*, assisting Beneficiaries with the preparation, implementation and supervision of Sub-Projects as further described in Schedule 2 to the Original Project Agreement; and
- (d) the provision of Block Grants to Beneficiaries under Parts A, B and C of the Project pursuant to agreements to be entered into between PAF and

such Beneficiaries (Sub-Project Grant Agreements), under terms and conditions set forth in Schedule 2 to the Original Project Agreement.

**D. Anti-Corruption**

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

**E. Safeguards**

PAF shall: (a) implement the Project in accordance with the EMF, the VCDP and any plan or plans prepared thereunder; and (b) maintain the undertaking that no Sub-project shall involve any involuntary resettlement of local population, all as set forth in the Original Project Agreement.

**F. Governance and Accountability Action Plan**

PAF shall carry out the Project in accordance with the provisions of the GAAP.

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

**A. Project Reports**

1. PAF shall maintain the same arrangements for Project monitoring, reporting and evaluation as are set forth in the Original Project Agreement.
2. Without limitation to the generality of the provisions in paragraph 1 of this Section, PAF shall monitor and evaluate the progress of the Project and prepare Project Reports (including therein reports on the implementation of the GAAP) in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association.

**B. Financial Management, Financial Reports and Audits**

PAF shall maintain and cause to be maintained all the undertakings concerning the arrangements and associated periodicity for financial management, financial reports and audits of Project execution as are set forth in the Original Project Agreement.

**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 set forth in Section III of Schedule 2 to the Financing Agreement.