

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H369-NP

Project Agreement

(Additional Financing For Second Rural Water Supply and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

**RURAL WATER SUPPLY AND SANITATION FUND
DEVELOPMENT BOARD**

Dated August 26, 2008

GRANT NUMBER H369-NP

PROJECT AGREEMENT

AGREEMENT, dated August 26, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and RURAL WATER SUPPLY AND SANITATION FUND DEVELOPMENT BOARD (the “Board” or “Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement of same date between Nepal (“Recipient”) and the Association (the “Financing Agreement”). 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 Implementation Manuals, EMP, EMAP, IPDP, Formation Order, the Rules, and 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 Board.

4.02. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 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:

Rural Water Supply and Sanitation Fund Development Board
Nursery Marg, Lazimpat
Kathmandu, Nepal

Facsimile:
(977-1) 441-7899

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan Goldmark

Authorized Representative

RURAL WATER SUPPLY AND SANITATION FUND
DEVELOPMENT BOARD

By /s/ Maheshore Prasad Yadav

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. **Subsidiary Grant Agreement**

The Board shall duly perform all its obligations under the Subsidiary Grant Agreement and, except as the Association shall otherwise agree, the Board shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

B. **Anti-Corruption**

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

C. **Other Implementation Arrangements**

1. The Board shall exercise its rights in relation to financing provided by it to communities in such manner as to: (i) protect the interests of the Recipient, the Association and the Board; (ii) comply with its obligations under this Agreement and the Subsidiary Grant Agreement; and (iii) achieve the purposes of the Project.
2. The Board shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Financing.
3. The Board shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Financing, or the performance by the Board of its obligations under this Agreement and under the Subsidiary Grant Agreement.
4. The provisions of Paragraphs 1 through 4 of Schedule 2 to the Original Project Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

Section II. Project Monitoring, Reporting, 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 Project Report shall cover the period of a Fiscal Year trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. The Project Implementing Entity shall prepare and furnish to the Association not later than six (6) months after the Closing Date the report and the plan referred to in Section 4.08(c) of the General Conditions.

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 Association as part of the Project Report not later than forty-five (45) days after the end of each Fiscal Year trimester, interim un-audited financial reports for the Project covering the Fiscal Year trimester, 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

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.