

CONFORMED COPY

**CREDIT NUMBER 3746 KH
GRANT NUMBER H034 KH**

Project Agreement

(Provincial and Peri-Urban Water and Sanitation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

CENTER FOR DEVELOPMENT

Dated June 15, 2010

CREDIT NUMBER 3746 KH
GRANT NUMBER H034 KH

PROJECT AGREEMENT

AGREEMENT, dated June 15, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and CENTER FOR DEVELOPMENT (“CFD”) in connection with the Amended and Restated Development Financing Agreement of the same date between the Kingdom of Cambodia (the “Borrower”) and the Association. The Association and CFD hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Amended and Restated Development Financing Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) CFD declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Amended and Restated Development Financing Agreement, and, to this end, shall carry out Part A.2 of the Project with due diligence and efficiency, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for such part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and CFD shall otherwise agree, CFD shall carry out Part A.2 of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement, the CFD Good Governance Framework and the Anti-Corruption Guidelines.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants’ services required for Part A.2 of the Project and to be financed out of the proceeds of the Financing shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) CFD shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of

goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and Part A.2 of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, CFD shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and CFD, a plan for the future operation of Part A.2 of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with CFD on said plan.

Section 2.04. (a) For the purposes of carrying out Part A.2 of the Project, CFD shall enter into a Subsidiary Grant Agreement with the Borrower, under terms and conditions acceptable to the Association.

(b) CFD shall duly perform all its obligations under the Subsidiary Grant Agreement, and it shall exercise its rights under the Subsidiary Grant Agreement in such a manner so as to protect its interests and those of the Association, and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, CFD 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.

Section 2.05. (a) CFD shall, at the request of the Association, exchange views with the Association with regard to the progress of Part A.2 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.

(b) CFD shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part A.2 of the Project, the accomplishment of the purposes of the Financing, or the performance by CFD of its obligations under this Agreement and under the Subsidiary Grant Agreement.

ARTICLE III

Management and Operations of CFD

Section 3.01. CFD shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering, technical and sound environmental and social standards under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. CFD shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) CFD shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part A.2 of the Project.

(b) CFD shall:

- (i) have its records, accounts and financial statements referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with auditing standards under terms of reference acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year as so audited, (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested and (C) CFD's Management Letter recording the audit findings and recommendations on internal control; and
- (iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Financing Accounts were made on the basis of statements of expenditure, CFD shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Financing Accounts was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon its progress reporting obligations set out in the provisions of paragraph 3 of Schedule 2 to this Agreement, CFD shall prepare and furnish to the Association interim unaudited financial reports, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for Part A.2 of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Financing, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in implementation of Part A.2 of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under Part A.2 of the Project, as at the end of the period covered by said report.

(b) The first interim unaudited financial reports shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under Part A.2 of the Project through the end of such first calendar quarter; thereafter, each interim unaudited financial reports shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Amended and Restated Development Financing Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of CFD thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Amended and Restated Development Financing Agreement shall terminate in accordance with its terms;
or
- (ii) the date twenty (20) years after the date of this Agreement.

(b) If the Amended and Restated Development Financing Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify CFD of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For CFD:

Center for Development
#41A, street 371
Trapeang Chuk, Sankat Teuk Thla, Khan Ruesei Keo
Phnom Penh
Kingdom of Cambodia

Faximile: (855) 23 99 58 18

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of CFD may be taken or executed by the General Director of CFD or such other person or persons as said Director General shall designate in writing, and CFD shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Phnom Penh, Kingdom of Cambodia, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Annette Dixon

Authorized Representative

CENTER FOR DEVELOPMENT

By: /s/ Sovann Narak

Authorized Representative

SCHEDULE 1

Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 and revised in October 2006 (the Procurement Guidelines), and with the provisions of this Schedule.
2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 and revised in October 2006 (the Consultant Guidelines), and with the provisions of this Schedule.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
4. **Anti-Corruption.** CFD shall carry out the procurement in accordance with the Anti-Corruption Guidelines.

B. Particular Methods of Procurement of Goods

1. Goods shall be procured under contracts awarded on the basis of Shopping subject to incorporation of the additional procedural improvements listed in the CFD Good Governance Framework.

C. Particular Methods of Procurement of Consultants’ Services

1. Consultants’ services shall be procured under contracts awarded on the basis of (i) Selection based on the Consultants’ Qualifications and (ii) Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The CFD Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Borrower's Manual on Standard Operating Procedures for Externally Assisted Projects

1. For the purposes of this Schedule, guidance for implementing the Procurement Guidelines and the Consultant Guidelines is provided in the Kingdom of Cambodia's *Externally Assisted Project Procurement Manual: Goods, Works and Services*, issued under *Sub-Decree 14 dated February 26, 2007*, on Promulgating of the Standard Procedure for Implementing the World Bank and the Asian Development Bank Assisted Projects.

SCHEDULE 2

Implementation Program For Part A.2 of the Project

1. CFD shall establish and maintain, until completion of the Project, the CFD PMO, headed by a qualified and experienced officer, with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for implementation of Part A.2 of the Project, including: (i) engaging the services of contractors and consultants to carry out implementation of Part A.2 of the Project; (ii) approval of payments to contractors and consultants for expenditures incurred for carrying out Part A.2 of the Project; and (iii) monitoring and evaluation of impacts under Part A.2 of the Project, including its environmental and social impacts.

2. CFD shall:

(a) carry out Part A.2 of the Project in accordance with the CFD Project Implementation Plan, satisfactory to the Association, which shall include: (i) implementation arrangements; (ii) the procurement procedures set forth in Schedule 1 to this Agreement and standard procurement documentation as set forth in the CFD Procurement Plan; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Article IV of this Agreement; (iv) the project performance indicators set forth in a supplemental letter No 2 herewith; (v) measures required under Guidelines on Resettlement and Compensation of Land and Other Assets, the Ethnic Minorities Development Strategy, and the Environmental Assessments; and (vi) procedures for monitoring and reporting of the progress of the Project; and

(b) shall not amend, waive or abrogate the provisions of the CFD Project Implementation Plan without the prior concurrence of the Association.

3. CFD shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of Part A.2 of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2010, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Part A.2 of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Part A.2 of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by February 28, 2011, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Part A.2 of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.