

CONFORMED COPY

INTERIM FUND CREDIT NUMBER N011 KH

Interim Fund
Development Credit Agreement

(Agriculture Productivity Improvement Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the Interim Trust Fund established with funds contributed by certain members of the International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of the International Development Association

Dated March 26, 1997

INTERIM FUND CREDIT NUMBER N011 KH

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 26, 1997, between KINGDOM OF CAMBODIA (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association") as administrator (the "Administrator") of the interim trust fund (the "Interim Fund") established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the "Interim Fund Resolution") of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS: (A) By the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

WHEREAS: (B) The Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund, and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

WHEREAS: (C) By an agreement dated September 27, 1996 (the "IFAD Loan Agreement"), the International Fund for Agricultural Development ("IFAD") has agreed to make a loan (the "IFAD Loan") in an amount equivalent to three million three hundred thousand Special Drawing Rights (SDR 3,300,000) to assist in the financing of Part B of the Project, on the terms and conditions set forth in the IFAD Loan Agreement; and

WHEREAS: (D) The Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund Credit to the Borrower upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the "General Conditions") constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to this Agreement;

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively;

(c) A new paragraph, numbered 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator from time to time; and "Participating Countries" means, collectively, all such countries;"

(d) The last sentence of Section 3.02 is deleted.

(e) The second sentence of Section 5.01 is modified to read:

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, and in the Preamble to this Agreement, have the respective meanings therein set forth, and the following additional terms, wherever used in this Agreement, have the following meanings:

(a) "DAHP" means the Borrower's Department of Animal Health and Production, established within the MAFF;

(b) "DGPH" means the Borrower's General Directorate of Rubber Production, established within the MAFF;

(c) "DOA" means the Borrower's Department of Agronomy, established within the MAFF;

(d) "DOF" means the Borrower's Department of Fisheries, established within the MAFF;

(e) "Fiscal Year" means the twelve (12)-month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year, and the term "Fiscal Years" means, collectively, more than one (1) Fiscal Year;

(f) "GDIHM" means the Borrower's General Directorate of Irrigation and Hydro-Meteorology, established within the MAFF;

(g) "MAFF" means the Borrower's Ministry of Agriculture, Forestry and Fisheries, established pursuant to the Borrower's Royal Decree dated November 1, 1993;

(h) "PLAC" means the Borrower's Prek Leap Agricultural College;

(i) "Project Implementation Program" means the program for implementing the Project, referred to in Section 3.01 (b) of, and set forth in Schedule 4 to, this Agreement;

(j) "PMU" means the Project Management Unit, referred to in Section 6.01 (b) of, and in Schedule 4 to, this Agreement;

(k) "PRDC" means the Borrower's Provincial Rural Development Committee;

(l) "PSC" means the Project Steering Committee, referred to in Section 6.01 (a) of, and in Schedule 4 to, this Agreement; and

(m) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to eighteen million eight hundred thousand Special Drawing Rights (SDR 18,800,000).

Section 2.02. (a) The amount of the Interim Fund Credit may be withdrawn from the Interim Fund Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Interim Fund Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in United States dollars a special deposit account in the National Bank of Cambodia (the Borrower's Central Bank), or in a commercial bank acceptable to the Administrator, on terms and conditions satisfactory to the Administrator, including, in the case of a commercial bank, appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2002, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Interim Fund Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the "Accrual Date") to the respective dates on which amounts shall be withdrawn by the Borrower from the Interim Fund Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the Accrual Date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on April 1 and October 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall

repay the principal amount of the Interim Fund Credit in semiannual installments payable on each April 1 and October 1, commencing April 1, 2007, and ending October 1, 2036. Each installment to and including the installment payable on October 1, 2016 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded seven hundred ninety dollars (\$790) in constant 1985 dollars for five (5) consecutive years, and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association, and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Interim Fund Credit shall have been repaid. If so requested by the Borrower, the Administrator may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Administrator may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the MAFF with due diligence and efficiency and in conformity with appropriate administrative, agricultural, financial, environmental and technical practices, and shall provide, promptly as needed, the funds (including foreign exchange), facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Administrator shall otherwise agree, the Borrower shall carry out the Project in accordance with the Project Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Interim Fund Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) Prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date, or such later date as may be agreed for this purpose between the Borrower and the Administrator, a plan for the future operation of the Project; and

(b) Afford the Administrator a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower (including, but without limitation, the MAFF) responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator, as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Interim Fund Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one (1) year after the Administrator has received the audit report for the Fiscal Year in which the last withdrawal from the Interim Fund Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator'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 and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Administrator

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) The IFAD Loan Agreement shall have failed to become effective by March 31, 1997, or such later date as the Administrator may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes, to the satisfaction of the Administrator, that adequate funds for Part B of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to sub-paragraph (ii) of this paragraph:

- (A) The right of the Borrower to withdraw the proceeds of the IFAD Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the IFAD Loan Agreement; or
 - (B) The IFAD Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Sub-paragraph (i) of this paragraph shall not apply if the Borrower establishes, to the satisfaction of the Administrator, that: (A) such suspension, cancellation or termination or prematuring is not caused by the failure of the Borrower to

perform any of its obligations under the IFAD Loan Agreement; and
(B) adequate funds for the Project are available to the Borrower
from other sources on terms and conditions consistent with the
obligations of the Borrower under this Agreement.

ARTICLE VI

Effective Date; Termination;
Designation of Administrator

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely:

(a) that the Borrower shall have established the PSC and appointed the principal PSC representatives, all in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement; and

(b) that the Borrower shall have established the PMU and appointed its Chief and Deputy Chief, all in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Articles III, IV and V of this Agreement shall cease and determine on the date on which this Agreement shall terminate, or on the date twenty (20) years after the date of this Agreement, which ever shall be the earlier.

Section 6.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim Fund, pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution, and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economy and Finance
Daun Penh Street
Sangkat Wat Phnom
Phnom Penh
Kingdom of Cambodia

Telex:

(855 23) 427-798

For the Association and the Administrator:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF CAMBODIA

By /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Interim Trust Fund established with funds contributed by certain members of the International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of the International Development Association

By /s/ Jean-Michel Severino

Regional Vice President
East Asia and Pacific Region

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Interim Fund Credit, the allocation of the amounts of the Interim Fund Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	2,100,000	80%
(2) Goods and equipment (except vehicles)	2,500,000	90%
(3) Vehicles	1,700,000	100%
(4) Agricultural and laboratory materials	500,000	70%
(5) Consultants' services and studies	4,800,000	100%
(6) Overseas training	500,000	100%
(7) Local training	3,300,000	100%
(8) Operating costs	1,400,000	100% in 1997; 100% in 1998; 80% in 1999; 50% in 2000; 40% in 2001
(9) Unallocated	2,000,000	
TOTAL	18,800,000	

2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) The term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) The term "Operating costs" means payments made for expenditures on account of the operation and maintenance of agricultural services vehicles, buildings and equipment and the supervision of agricultural services personnel under the Project, and for expenditures by Project personnel for supplies and communications, but excluding any salaries of any such personnel.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts valued at less than the equivalent of one hundred fifty thousand dollars (\$150,000) each; (ii) works under contracts valued at less than the equivalent of one hundred fifty thousand dollars (\$150,000) each; (iii) contracts for the employment of consulting firms valued at less than the equivalent of one hundred thousand dollars (\$100,000) each; (iv) contracts for the employment of individuals valued at less than the equivalent of fifty thousand dollars (\$50,000) each; (v) overseas and local training; and (vi) Operating costs; all under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to implement through MAFF a coordinated national program to help improve the quantity and quality of the technical, human and physical resources required to promote sustainable agricultural development improvements throughout the Borrower's territory.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Agronomy, Seeds and Plant Protection

Strengthening the DOA's capacity to develop appropriate technologies and to formulate effective recommendations for improving crop production and productivity in the territory of the Borrower, through the provision of technical assistance services and training to DOA staff in respect of: (i) technical coordination; (ii) soil fertility management and conservation; (iii) farming systems and crop diversification; (iv) seed multiplication; (v) plant protection; (vi) integrated pest management; and (vii) the provision of civil works, goods, equipment and materials necessary for carrying out the foregoing activities.

Part B: Animal Health and Production

Promoting the development of private veterinary services to farmers within the Borrower's territory to help reduce animal mortality and morbidity, and strengthening the DAHP's capacity for animal disease control and management, basic animal health, and promotion of animal production, through: (i) the carrying out of a rolling training program to train trainers and private village veterinaries; (ii) the provision of technical assistance services and training to DAHP staff and to DAHP animal health and production diagnostic and extension services and vaccine supply personnel; and (iii) the provision of civil works, goods, equipment and materials necessary for carrying out the foregoing activities.

Part C: Agricultural Hydraulics

Strengthening the GDIHM's capacity to implement effective strategies for developing water resources for agricultural uses through the provision of technical assistance services and training to GDIHM staff in respect of: (i) institutional capacity building; (ii) development of a hydrology information system; (iii)

small-scale agricultural hydraulics; (iv) medium-scale agricultural hydraulics; and (v) the provision of civil works, goods, equipment and materials necessary for carrying out the foregoing activities.

Part D: Fisheries

Strengthening the DOF's capacity to manage and conserve fisheries and conduct freshwater fisheries research through the provision of technical assistance services and training to DOF staff in respect of: (i) policy formulation; (ii) finance and administration; (iii) human resource development; (iv) fisheries regulation and statistics; (v) and the provision of civil works, goods, equipment and materials necessary for carrying out the foregoing activities.

Part E: Smallholder Rubber Research

1. Carrying out of a research program to identify suitable strains and locations in the territory of the Borrower for smallholder rubber development.
2. Training of national rubber research scientists and technicians in connection with the design and implementation of on-farm research, analysis of results and development of recommendations.
3. Provision of vehicles, office and laboratory equipment and materials necessary for carrying out the foregoing activities.

Part F: MAFF Institutional Strengthening and Provincial Physical Rehabilitation

1. Provision of technical assistance services (including conduct of studies) and training to MAFF staff to: (i) establish a human resource development unit; (ii) develop and maintain a computerized personnel data base; (iii) carry out organizational and job analyses; (iv) conduct training needs assessments; (v) formulate departmental training plans; (vi) obtain basic agricultural statistics; and (vii) formulate sector strategies and conduct public investment planning.
2. Rehabilitation of selected buildings of MAFF's provincial departments.
3. Provision of training to MAFF provincial departmental staff in Project-related activities including data collection and analysis, planning, budgeting and administration.
4. Provision of vehicles, office equipment and materials necessary for carrying out the foregoing activities.

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996" (the "Guidelines") and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

- (a) Grouping of Contracts

To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost the equivalent of one hundred thousand dollars (\$100,000) or more each.

(b) Preference for Domestic Manufacturers and Domestic Contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to works to be carried out by domestic contractors.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost the equivalent of ten million dollars (\$10,000,000) or more each shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million two hundred thousand dollars (\$1,200,000), and works estimated to cost the equivalent of one hundred fifty thousand dollars (\$150,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million four hundred thousand dollars (\$1,400,000), may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Specialized laboratory equipment estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of six hundred thousand dollars (\$600,000) and agricultural materials estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of one million one hundred thousand dollars (\$1,100,000), may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Except as provided in Part C.4 below, goods estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of three hundred fifty thousand dollars (\$350,000), and small works estimated to cost the equivalent of fifty thousand dollars (\$50,000) or less per contract, up to an aggregate amount not to exceed the equivalent of nine hundred thousand dollars (\$900,000), may be procured under contracts awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The written invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Administrator, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work and who has the resources and experience to complete the contract successfully.

4. Force Account

Works for small-scale agricultural hydraulics and installation of permanent markers for fish sanctuaries in the Tonle Sap Lake up to an aggregate amount not to exceed one million three hundred fifty thousand dollars (\$1,350,000) equivalent, may be procured, with the Administrator's prior agreement, in accordance with the provisions of paragraph 3.8 of the Guidelines on force account.

Part D: Review by the Administrator of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Administrator for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall

be undertaken in accordance with such procurement plan as shall have been approved by the Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to (i) each contract for goods estimated to cost the equivalent of one hundred fifty thousand dollars (\$150,000) or more, and (ii) each contract for civil works estimated to cost the equivalent of one hundred fifty thousand dollars (\$150,000) or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the "Consultant Guidelines"). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Administrator. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Administrator shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Administrator review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than the equivalent of one hundred thousand dollars (\$100,000) each, or (b) contracts for the employment of individual consultants estimated to cost less than the equivalent of fifty thousand dollars (\$50,000) each. However, said exceptions to prior Administrator review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Administrator; (d) amendments to contracts for the employment of consulting firms raising the contract value to the equivalent of one hundred thousand dollars (\$100,000) or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to the equivalent of fifty thousand dollars (\$50,000) or above.

Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out the proceeds of the Interim Fund Credit.

SCHEDULE 4

Project Implementation Program

1. The Borrower shall implement the Project through the MAFF, which will be responsible for the overall implementation of the Project, all in accordance with the provisions of this Schedule. The responsibility for the day-to-day implementation of the respective parts of the Project shall be as follows: (i) the DOA shall be responsible for the implementation of Part A of the Project; (ii) the DAHP shall be responsible for the implementation of Part B of the Project; (iii) the GDIHM shall be responsible for the implementation of Part C of the Project; (iv) the DOF shall be responsible for the implementation of Part D of the Project; (v) the DGPH shall be responsible for the implementation of Part E of the Project; and (vi) the MAFF shall be responsible for the implementation of Part F of the Project, in addition to its responsibility for the overall implementation of the Project.

2. The Borrower shall maintain, until completion of the Project, the PSC, with terms of reference and resources as shall be satisfactory to the Administrator. The PSC shall have a membership comprising principal representatives from, inter alia, each of the following departments and agencies of the Borrower: DOA; DAHP; GDIHM; DOF; DGPB; and PLAC. The PSC shall be responsible for, inter alia, approving annual work plans and budgets for the Project; evaluating its implementation; and reporting on its progress to the Borrower and the Administrator.

3. The Borrower shall maintain, until completion of the Project, the PMU within the MAFF, with terms of reference and resources as shall be satisfactory to the Administrator, and with competent staff in adequate numbers acceptable to the Administrator, including: (i) a Chief; (ii) a Deputy Chief; (iii) a Project management advisor; (iv) a Project procurement specialist; and (v) a Project finance and administration specialist. The PMU shall be responsible for, inter alia, coordinating and supervising the overall implementation of the Project and reporting on its progress to the PSC.

4. The Borrower shall, not later than December 31 in each Fiscal Year, commencing December 31, 1997 and until completion of the Project, furnish to the Administrator for its review and approval the annual work program and related financial budget for Project implementation activities.

5. In carrying out Parts A, B and C of the Project, respectively, the Borrower shall:

(a) Not later than December 31, 1998 furnish to the Administrator for comments (i) a national strategy for seeds improvement, (ii) a national strategy for animal health and production, and (iii) a national water resource strategy; each of said strategies to include specific measures for cost recovery from end beneficiaries and provisions for operational maintenance, and proposed action plan for the sustainable implementation thereof; and

(b) Thereafter, promptly carry out such action plan, taking into account the Administrator's comments thereon.

6. In carrying out Part F of the Project, the Borrower shall:

(a) not later than September 30, 1997, furnish to the Administrator for comments a study, based on terms of reference satisfactory to the Administrator, on the MAFF's internal planning and budgeting system and procedures, with particular focus on the reporting and flow of funds between the MAFF's headquarters and the Borrower's provincial departments of agriculture; and

(b) Thereafter, promptly carry out the recommendations of such study taking into account the Administrator's comments thereon.

7. Not later than December 31, 1997, the Borrower shall adopt, and promptly thereafter implement, a national plan, satisfactory to the Administrator, for training, registering and licensing village veterinaries.

8. In carrying out Part F of the Project, not later than December 31 in each Fiscal Year, commencing December 31, 1997 the Borrower shall furnish to the Administrator for comments the training program proposed for the immediately following Fiscal Year, and, promptly thereafter, the Borrower shall carry out such plan taking into account the Administrator's comments thereon.

9. The Borrower 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 Administrator, the carrying out of the Project and the achievement of the objectives thereof;

(b) Prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator not later than June 30 and December 31 in each Fiscal Year, commencing Fiscal Year 1997, semi-annual reports on the progress achieved by the Borrower in implementing the Project;

(c) Prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator not later than April 30, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above on the progress achieved in the carrying out of the Project

from the inception of the Project (including, without limitation, the action plan for the sustainable implementation of the national strategies furnished in accordance with paragraph 5 of this Schedule) and setting forth any proposed measures to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(d) Review with the Administrator, by June 30, 1999, or such later date as the Administrator shall request, the report referred to in sub-paragraph (c) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Administrator's views on the matter.

10. Without any restriction or limitation upon any of the provisions of the General Conditions or of this Agreement: (a) not later than June 30, 1999, the Borrower shall conduct, on the basis of terms of reference acceptable to the Administrator, a comprehensive mid-term review of the progress achieved to date by the Borrower in implementing the Project; and (b) promptly thereafter, taking into account the Administrator's recommendations pursuant to such review, the Borrower shall carry out the Project with due diligence and efficiency and shall take all remedial measures needed to achieve the objectives thereof.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories (1), (2), (3), (4), (5), (6), (7) and (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) The term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Interim Fund Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) The term "Authorized Allocation" means an amount equivalent to two million dollars (\$2,000,000) to be withdrawn from the Interim Fund Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to one million dollars (\$1,000,000) until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of six million nine hundred forty thousand Special Drawing Rights (SDR 6,940,000).

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund Credit Account and

deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Administrator from the Interim Fund Credit Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Administrator shall not be required to make further deposits into the Special Account:

(a) If, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) If the Borrower shall have failed to furnish to the Administrator, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) If, at any time, the Administrator shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) Once the total unwithdrawn amount of the Interim Fund Credit allocated to the Eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the Eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

(c) The Borrower may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Administrator made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Interim Fund Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

