

CONFORMED COPY

**CREDIT NUMBER 4441-KH
GRANT NUMBER H386-KH**

Financing Agreement

(Land Allocation for Social and Economic Development Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 13, 2008



**CREDIT NUMBER 4441-KH
GRANT NUMBER H386-KH**

FINANCING AGREEMENT

AGREEMENT dated June 13, 2008, entered into between KINGDOM OF CAMBODIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to five million three hundred thousand Special Drawing Rights (SDR 5,300,000) (“Grant”); and
 - (b) an amount equivalent to one million seven hundred thousand Special Drawing Rights (SDR 1,700,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are May 15, and November 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the NCDD Secretariat and the GSSLC in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following: the Sub-Decree No.19 ANK/BK dated March 19, 2003 on Social Land Concessions of the Royal Government of Cambodia has been suspended, abrogated, repealed, waived or amended so as to affect materially and adversely the implementation of the Project.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the Recipient has adopted a Project Implementation Manual pursuant to Paragraph A 3(a) of Section I of Schedule 2 to this Agreement; and
 - (b) the GSSLC and the NCDD Secretariat have each appointed one internal audit officer at the national level, and the NCDD Secretariat has appointed a financial management officer for each Project Province.

- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is Minister of Economy and Finance.
- 6.02. The Recipient's Address is:

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

Facsimile: (855-23) 427-798
(855-23) 430-224

- 6.03. 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

AGREED at Phnom Penh, Cambodia as of the day and year first above written.

KINGDOM OF CAMBODIA

By: /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ian Porter

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the process for identification and use of state lands transferred to eligible, poor and formerly landless and land poor land recipients through a transparent and well-targeted selection process.

The Project consists of the following parts:

Part A: Commune-based Social Land Concession Planning and Land Allocation

Providing technical advisory services and other material support to communes to help prepare twenty (20) Social Land Concession Sub-project plans in the Project Provinces, including: (a) SLC land identification, screening and registration; (b) selection of land recipients; and (c) preparation of the plan for allocation of plots, use of land and budgeting of SLC Sub-project grant funds.

Part B: Rural Development Services and Investments

Providing Sub-project grants to Beneficiaries for implementation of SLC Sub-projects, for the purposes of covering the costs of, *inter alia*: (a) the preparation of the SLC site, including plot demarcation, provision of potable water, and road access; (b) the provision of settling-in assistance to land recipients; and (c) community infrastructure and services.

Part C: Sustainable and Transparent SLC Program Development

Providing technical advisory services, training, and other material support: (a) to develop the Recipient's overall SLC program, including policy, public awareness and training; (b) to ensure overall project monitoring and evaluation; (c) to carry out MBPI; (d) to provide technical support and oversight for SLC Sub-projects; and (e) to the Project Provinces and their districts for: (i) technical support to communes for SLC Sub-project planning and implementation; (ii) SLC Sub-project technical review and monitoring; (iii) overall project monitoring and evaluation; (iv) implementation of transparency, participation activities.

Part D: Project Administration

Providing technical advisory services, training, and other material support to: (a) the Recipient for carrying out Project procurement, financial management, reporting, and MBPI for the national, provincial and district project support; and (b) communes in the Project Provinces to support SLC Sub-project implementation procurement and financial management.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. The Recipient shall maintain, throughout the period of implementation of the Project:
 - (a) the NCSLC which oversees all social land concession programs and organizes a yearly national forum to review experience and issues associated with all SLCs, and identify areas for further policy development, shall, *inter alia*: (i) review and determine on policy and legal issues relating to the Project; (ii) review the annual work plans and budget, the quarterly and annual progress reports; (iii) approves jointly with the NCDD the annual work plans and budget; and (iv) review the SLCs approved by PLUAC under the Project;
 - (b) the GSSLC shall be responsible, *inter alia*: for (i) overseeing the policy and general direction of the Project, and ensuring its compatibility with the Recipient's policy on SLCs;(ii) referring policy and legal issues related to the Project implementation to NCSLC;(iii) preparing SLCs received from PLUAC for review by NCSLC; (iv) preparing the technical support elements of the Project's work-plans and budget, (v) developing capacity building materials related to SLCs; (vi) providing training, technical guidance and communications support for commune-based SLCs generally; (vii) monitoring the process of SLC Sub-projects planning and implementation other than procurement and financial management, and its consistency with Sub-Decree on Social Lands Concessions and the Project Implementation Manual, and outcomes of SLCs; (viii) evaluating progress in achieving the Project's objectives, and (ix) consolidating the Project's annual progress report;
 - (c) the NCDD which coordinates policy and oversee implementation support for decentralization and deconcentration shall: (i) coordinate with NCSLC on operational implementation and integration of the Project into decentralized and deconcentrated administrative structures; and (ii) approves jointly with the NCDD the annual work plans and budget; and
 - (d) the NCDD Secretariat shall, in respect of the Project, be responsible for, *inter alia*: (i) contract administration; (ii) financial management; (iii) national procurement through the procurement agent; (iv) preparation of

annual work plans and budget; (v) provision of Sub-grants for approved SLC Sub-projects; and (vi) monitoring the procurement and financial management operations of SLC Sub-projects.

2. The Recipient shall ensure, throughout the period of implementation of the Project that:
 - (a) each Governor ensures that the SLCs and the Project Implementation Manual are implemented in accordance with laws and guidelines of the Kingdom of Cambodia;
 - (b) the PLUAC, *inter alia*: (i) reports on matters relating to implementation of SLCs; (ii) approves proposals from communes for SLC Sub-projects;(iii) reviews and approves SLC Sub-project reports; (iv) approves SLC Sub-project plans; (v) confirms proposed annual work-plan, budget, and quarterly monitoring and annual progress reports for each Project Province; and (vi) ensures the functioning of the project complaints mechanism as defined in the Project Implementation Manual;
 - (c) the PLUAC Secretariat, *inter alia*: (i) supports the work of the PLUAC;(ii) implements training and workshops activities at the provincial, district and commune level; (iii) coordinates technical support from provincial and national level agencies to the communes and District Working Groups consistent with the Project Implementation Manual and specific SLC Sub-project plans; (iv) monitors compliance with the Sub-Decree on Social Land Concessions and the Project Implementation Manual;(v) prepares technical inputs to the provincial annual work plans and budget and supports quarterly and annual monitoring and other technical oversight activities, and (vi) works with governmental and non-governmental agencies in resolving disputes related to Sub-projects;
 - (d) the PRDC-ExCom, supports Project administration at the provincial, district and commune level, including: (i) procurement, financial management, and contract administration; and (ii) reporting the use of funds and implementation of the planned activities;
 - (e) the District Working Groups shall, *inter alia*, provide support to communes in the planning and implementation of SLC Sub-projects, and carry out training, planning and monitoring, and progress reporting as directed by the PLUAC ; and
 - (f) the Commune Councils shall, *inter alia*:(i) initiate a formal proposal to the PLUAC to initiate SLC planning; (ii) identify and screen SLC lands; (iii) select land recipients; (iv) prepares in consultation with the land

recipient the SLC Sub-project plan for submission to the PLUAC; and (v) implements with the participation of the land recipients, of the approved Sub-projects.

3. The Recipient shall:

- (a) prepare and adopt a Project Implementation Manual satisfactory to the Association, and thereafter carry-out the Project in accordance with the provisions of said manual, which shall include: (i) a financial management manual for the Project incorporating policy and procedures satisfactory to the Association regarding accounting, reporting and internal control mechanisms and procedures, including the management, control and auditing of the Designated Accounts; (ii) guidelines procedures and criteria for planning, reviewing and implementing SLC Sub-projects, including for land identification, land recipient selection and land use planning; (iii) participation, transparency and complaints handling mechanisms as well as other aspects of the Good Governance Framework; (iv) all measures required under the Environmental Assessment and Environmental Management Plan, the Cultural Heritage Policy Framework, the Resettlement Policy Framework and the Indigenous Peoples Planning Framework; (v) the procurement procedures, as set forth in Section III of this Schedule; and (vi) monitoring requirements and processes;
- (b) undertake not to amend, suspend, abrogate, repeal or waive any provisions of the Project Implementation Manual without the prior agreement of the Association;
- (c) carry out the Project in line with the Sub-Decree on Social Land Concessions; and
- (d) adopt and apply a Merit Based Performance Incentive Manual for the Project.

B. Sub-projects

- 1. No Sub-project shall be eligible for financing out of the proceeds of the Financing unless the proposal for such Sub-projects has been prepared and submitted, and the review of proposals and award of the Sub-grants have been undertaken, in accordance with the guidelines, procedures and selection criteria set forth in the Project Implementation Manual.
- 2. No Activity under a Sub-grant shall be made to finance expenditures pertaining to or involving: (a) a military or paramilitary purpose; (b) civil works for government administration or religious purposes; (c) the manufacture or use of

environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or drugs; (d) the manufacture or use of dynamite; (e) the financing of government salaries; (f) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (g) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient's agency responsible for the management and/or protection of such area; (h) mining or excavation of live coral; (i) water resources development on rivers which flow into or out of another country; (j) alterations to river courses; (k) new irrigation facilities covering an area in excess of 50 hectares; (l) the construction of water retaining or storage structures of a capacity greater than 10,000 cubic meters; or (m) the provision of goods, works or services, directly or through intermediaries, by suppliers or contractors, as the case may be, who have been declared ineligible to participate in the procurement of any Bank-financed or Association-financed contract, whether indefinitely or for a stated period of time, as a result of a decision of the Bank or the Association, and in accordance with the terms of the decision.

3. (a) Sub-grants may be provided to Beneficiaries for activities pertaining to Sub-projects other than those which are prohibited pursuant to paragraph 2 of this Annex, provided, however, that such Sub-projects:
 - (i) are technically and financially feasible, and capable of being implemented by the communities themselves with only locally available technical assistance; and
 - (ii) are of benefit to the communities, and to the poor in particular.
- (b) The amount of each Sub-Grant shall be determined as set out in the Project Implementation Manual.
4. With respect to each eligible Sub-project for which the Recipient has decided to make available a Sub-grant, the Recipient shall enter into or cause to be entered into a Sub-grant Agreement with the proposed Beneficiary on terms and conditions approved by the Association, which shall include the following:
 - (a) the amount of the Sub-grant which shall be denominated in Riel;
 - (b) details of agreed disbursement schedules;
 - (c) provisions 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;

(d) requirements to: (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant and Credit proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose of the Sub-project; (C) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (D) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Sub-project; (E) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and (F) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.

5. No Sub-project shall be eligible for financing unless a Sub-grant Agreement has been concluded to this effect on terms and conditions set forth in this Sub-section B and the Project Implementation Manual.
6. The Recipient shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall carry out the Project in accordance with the provisions of the Good Governance Framework, and the Anti-Corruption Guidelines in a manner satisfactory to the Association.

D. Safeguards

1. The Recipient shall:
 - (a) implement and cause to be implemented, in a manner satisfactory to the Association, the Environmental Assessment and Environmental Management Plan designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;
 - (b) provide to the Association for its prior approval any revision proposed to be introduced into said Environmental Assessment and Environmental Management Plan in order to achieve their respective objectives, and,

thereafter, introduce only such revision into said plans as shall have been agreed with the Association; and

- (c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Environmental Management Plan and Cultural Heritage Protection Framework, and the achievement of their objectives.

2. The Recipient shall:

- (a) take and cause to be taken all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently;
- (b) to this end, implement and cause to be implemented the Resettlement Policy Framework, in a manner satisfactory to the Association;
- (c) provide to the Association for its prior approval any revision proposed to be introduced into said Resettlement Policy Framework, in order to achieve its respective objectives, and, thereafter, introduce only such revision into said plan as shall have been agreed with the Association; and
- (d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Resettlement Policy Framework, and the achievement of its objectives.

3. The Recipient shall in carrying out the Project: (i) avoid adverse effects or when avoidance is not feasible, minimize, mitigate or compensate such effects on indigenous people caused or likely to be caused by the Project; (ii) apply the Indigenous Peoples Planning Framework; in a manner and substance satisfactory to the Association; and (iii) through a process of informed participation, involve concerned indigenous people in the implementation of the Project so as to ensure that the benefits under the Project are socially and culturally acceptable to such indigenous people and that Project activities are in harmony with their economic, social and cultural preferences and protect their customary user rights.

4. The Recipient shall in carrying out the Project: (i) avoid adverse effects on physical cultural resources caused or likely to be caused by the Project; (ii) apply the Guideline on Cultural Heritage and Physical Cultural Resource Screening in a manner and substance satisfactory to the Association.

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

1. The Recipient 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 one (1) calendar quarter, and shall be furnished to the Association not later than (45) forty five days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association as part of the Project Report interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the 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**A. General**

1. **Goods and Works.** All goods and works 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 Procurement Guidelines, and with the provisions of this Section.
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 Consultant Guidelines, and with the provisions of this Section.
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.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding subject to procedures listed in the Annex to this Schedule
(b) Shopping
(c) Procurement from UN Agencies
(d) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection Based on the Consultants' Qualification
(b) Single Source Selection
(c) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The 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.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive) of Taxes
(1) Goods, Works, Consultants’ Services, Incremental Operating Costs and Training under Parts A, C and D of the Project		3,200,000	100%
(2) Sub-grants under Part B of the Project.	1,700,000	1,700,000	100%
(3) MBPI under Parts C and D of the Project		400,000	90% for 2008 85% for 2009 80% for 2010 75% for 2011 70% for 2012 65% for 2013
TOTAL AMOUNT	<u>1,700,000</u>	<u>5,300,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 400,000 may be made for payments made prior to this date but on or after February 12, 2008, for Eligible Expenditures; or
 - (b) under Category (3) until the Recipient has adopted the MBPI Manual referred to Paragraph A 3(d) of Section I of Schedule 2 to this Agreement; and provided an agreement confirming financing the MBPI for this Project, satisfactory to the Association.
2. The Closing Date is June 30, 2013.

Section V. Other Undertakings

1. Unless otherwise agreed to between the Recipient and the Association, and for the purposes of Section III of Schedule 2 to this Agreement, the Recipient shall use the services of a procurement agent engaged by the MEF under terms of reference satisfactory to the Association for all procurement to be undertaken under the Project except Direct Contracting, Procurement from UN Agencies, Selection of Individual Consultants, Single Source Selection, and procurement by the commune of goods estimated to cost less than \$20,000 and procurement of works estimated to cost less than \$40,000 under Component B of the Project in accordance with the Commune/Sangkat Fund Project Implementation Manual and the Guidelines on Commune/Sangkat Procurement.
2. For the purposes of Section III of Schedule 2 to this Agreement, 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.
3. For the purposes of Section III of Schedule 2 to this Agreement, procurement of goods and works financed with the proceeds of a Sub-grant that are estimated to cost less than \$20,000 for goods and estimated to cost less than \$40,000 for works will be in accordance with the Commune/Sangat Fund Project Implementation Manual dated May 20, 2005 and the Guidelines on Commune/Sangat Procurement dated April 29, 2005, satisfactory to the

Association, as said manual may be revised from time to time with the agreement of the Association.

4. The Recipient undertakes not to amend, suspend, abrogate, repeal or waive any provisions of the Commune/Sangat Fund Project Implementation Manual and the Guidelines on Commune/Sangat Procurement without the prior agreement of the Association.
5. The Recipient shall:
 - (a) by September 30, 2008:
 - (i) hire two (2) national internal audit consultants with terms of reference satisfactory to the Association;
 - (ii) engage a consulting firm to carry out a quantitative impact evaluation with terms of reference satisfactory to the Association; and
 - (iii) install accounting software for project financial management in GSSLC, NCDD Secretariat and the Ex-Coms in the Project Provinces;
 - (b) by December 31, 2008,
 - (i) complete a communication strategy to support public understanding of SLCs, including the associated legal framework; and the progress and lessons learned from implementation of the Project; and
 - (ii) appoint an independent auditor to meet the obligations set forth in Section IIB3 of this Annex with terms of reference satisfactory to the Association;
 - (c) by March 31, 2010, carry out a mid-term implementation review with terms of reference satisfactory to the Association, and submit such review to the Association by September 30, 2010; and
 - (d) by January 1, 2013, carry out a final implementation review with terms of reference satisfactory to the Association, and submit such review to the Association by the Closing Date.

ANNEX to SCHEDULE 2**National Competitive Bidding Procedures**

The procedure to be followed for National Competitive Bidding shall be those set forth in the *Sub-decree 14 on Promulgating of the Standard Procedure for Implementing the World Bank and the Asian Development Bank Assisted Projects* dated February 26, 2007 and relevant provisions of the *Royal Government of Cambodia Externally Assisted Project Procurement Manual for Goods, Works and Services* with modifications set forth below in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the *Guidelines for Procurement under IBRD Loans and IDA Credits* published by the Bank/Association in May 2004 and revised in October 2006 (the Guidelines) as required by paragraph 3.3 and 3.4 of the Guidelines.

1. Eligibility

The eligibility of bidders shall be as defined under Section I of the Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall not be asked or required to form joint ventures with national bidders in order to submit a bid. Bidders located in the same province or city as the procuring entity shall not be given preference over bidders located outside that city or province.

2. Qualification Criteria

The assessment of the qualification of a bidder shall be conducted separately from the technical and commercial evaluation of the bid and in strict adherence to the qualification criteria that shall be clearly specified in the bidding documents. Such assessment shall only take into account a bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity.

3. Bid Submission, Bid Opening and Bid Evaluation

(a) The evaluation of a bid shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.

(b) No bidder shall be rejected on the basis of a comparison with the Recipient's estimate and budget ceiling without the Association's prior concurrence.

(c) A copy of the minutes of the public bid opening shall be promptly provided to all bidders and to the Association with respect to contracts subject to prior review.

(d) Neither shall all bids be rejected nor shall new bids invited without the Association's prior written concurrence.

4. Complaints by Bidders and Handling of Complaints

The Recipient shall implement the complaint handling mechanism in accordance with Section 7 of the above mentioned Procurement Manual.

5. Fraud and Corruption

The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.

6. Right to Inspect/Audit

Each bidding document and contract financed from the proceeds of the Financing shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by a bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

SCHEDULE 3**Repayment Schedule for the Credit**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2018 to and including May 15, 2028.	1%
commencing November 15, 2028 to and including May 15, 2048.	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Definitions

1. “Activity” means a specific task identified in the Sub-project to be implemented by the Beneficiary and “Activities” means the plural thereof.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Beneficiary” means the Commune Council which is responsible for implementing the Sub-project.
4. “Co-financier” means the Government of Germany through the German Agency for Technical Development, referred to in paragraph 10 of the Appendix to the General Conditions.
5. “Co-financing” means the amount to be provided by the Co-financier to assist in financing the Project.
6. “Co-financing Agreement” means the agreement entered into between the Recipient and the Co-financier on March 4, 2008, providing for the Co-financing.
7. “Commune Council” means the body representing the citizens in a Commune (Khum-Sangkat) which has a mission to serve the general interests of its Commune (Khum-Sangkat) pursuant to the Recipient’s Law on Administration of Communes (Khum-Sangkat) adopted by the Recipient’s National Assembly.
8. “Commune/Sangkat Fund Project Implementation Manual” means the manual dated May 20, 2005, developed by the Recipient under the Recipient’s Law on Administration of Communes (Khum-Sangkat), through which national revenues and other revenues are transferred to the budget of the Communes (Khum-Sangkat); such manual describes the guidelines and procedures the Commune Councils must follow when they implement development projects using the Development Component of the Commune/Sangkat Fund.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
10. “Displaced Persons” means persons who, on account of the involuntary taking of land and other assets as part of the execution of the Sub-project experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of

assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, the plural thereof.

11. “District Working Group” and the acronym “DWG” mean the working group, chaired by the District Governor or Deputy Governor, which is responsible for providing technical support to the commune councils for the preparation and implementation of SLC Sub-projects as described in the Recipient’s Sub-Decree on Social Land Concessions.
12. “Environmental Assessment and Environmental Management Plan” means the Environmental Assessment and Environmental Management Plan adopted by the Recipient on April 22, 2008, which said plan sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Association.
13. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
14. “General Secretariat for Social Land Concessions” and the acronym “GSSLC” mean the General Secretariat for Social Land Concessions of the National Committee for Social Lands Concessions referred to in Section IA.1(b) of Schedule 2 to this Agreement.
15. “Good Governance Framework” means the Good Governance Framework approved by the Recipient on April 22, 2008.
16. “Governor” means the Governor of a Project Province.
17. “Guidelines on Cultural Heritage and Physical Cultural Resource Screening” means the guidelines approved by the Recipient on January 21, 2008 which sets forth the principles and procedures, satisfactory to the Association, governing measures and actions to be taken during the implementation of the Project for the protection of physical cultural resources, as such guidelines may be amended from time to time with the prior agreement of the Association.
18. “Guidelines on Commune/Sangkat Procurement” means Guidelines under Ministry of Economy and Finance Prakas No. 231/MEF dated April 29, 2005; such guidelines provide instructions for the implementation of procurement rules as established by the Sub-Decree No. 26 dated April 2, 2002 on “The Commune/Sangkat Financial Management System”.

19. “Incremental Operating Costs” means reasonable expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), including consumable materials and supplies, communications, mass media and printing services, vehicle rental, vehicle maintenance, drivers, maintenance of offices, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, postage and handling, and travel, accommodation and per diems, but excluding salaries of officials of the Recipient’s civil service.
20. “Indigenous People” means those social groups in the Kingdom of Cambodia who have a distinct social and cultural identity, and are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.
21. “Indigenous Peoples Planning Framework” means the framework instrument approved by the Recipient on January 21, 2008 which sets forth the strategy to be implemented or cause to be implemented by the Recipient in the carrying out of the Project in areas where Indigenous Peoples are residing, cultivating, hunting and carrying out other similar social activities, which strategy includes special planning measures or actions to be undertaken aimed at ensuring that through informed consultation such Ethnic Groups receive the benefits from the Project in a culturally compatible manner acceptable to them, and do not suffer adverse effects as a result of the implementation of the Project; as said Framework may be revised from time to time with the prior approval of the Association.
22. “Merit Based Performance Incentive” and the acronym “MBPI” means the set of program arrangements including the level of allowances to be provided to selected staff of the Recipient, the conditions under which they would be provided, and the financing shares of the Recipient.
23. “Merit Based Performance Incentive Manual” and the acronym “MBPI Manual” mean the manual adopted by the Recipient and referred to in Section I A 3 (d) of Schedule 2 to this Agreement, as such manual may be amended from time to time with the prior approval of the Association, setting forth the process, procedures and criteria for the implementation of the MBPI, including with respect to the selection of staff to be paid allowances, the criteria for performance evaluation, and the management arrangements.
24. “National Committee for Social Land Concessions” and the acronym “NCSLC” mean the inter-ministerial committee established by the Recipient’s Sub-decree 19 AN/BK dated March 19, 2003.
25. “National Committee for the Management of Decentralization and Deconcentration” and the acronym “NCDD” mean the inter-ministerial

committee established by the Recipient's Royal Decree NS/RD/0806/355, dated August 31, 2006.

26. "NCDD Secretariat" means the administrative and technical support to the NCDD referred to in Section IA.1(d) of Schedule 2 to this Agreement.
27. "PLUAC Secretariat" means the administrative and technical support to the PLUAC referred to in Section IA.2(c) of Schedule 2 to this Agreement.
28. "Project Implementation Manual" means the implementation manual developed for the implementation of the Project in accordance with the provisions of Section I A 3 of Schedule 2 to this Agreement.
29. "Project Provinces" means the provinces of Kratie, Kampong Cham, and Kampong Thom, or such other province which may become eligible in accordance with the criteria set out in the Project Implementation Manual and agreed to between the Recipient and the Association.
30. "Provincial Land Use and Allocation Committee" and the acronym "PLUAC" mean the committee, chaired by the provincial Governor or Deputy Governor, which is responsible for directing policy on SLCs at the provincial and municipal level as described in the Recipient's Sub-decree 19 AN/BK dated March 19, 2003.
31. "Provincial Rural Development Committee" and the acronym "PRDC-ExCom" mean the Provincial Rural Development Committee referred to in Section I A 2(d) of Schedule 2 to this Agreement.
32. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
33. "Procurement Plan" means the Recipient's procurement plan for the Project, dated April 22, 2008, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
34. "Resettlement Policy Framework" means the framework instrument adopted by the Recipient on January 21, 2008, which sets forth the principles and procedures, satisfactory to the Association, governing measures and actions to be taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as such framework may be amended from time to time with the prior agreement of the Association.
35. "Riel" means the currency of the Kingdom of Cambodia.

36. “Social Land Concession” and the acronym “SLC” mean the legal instrument to transfer private state land for social purposes to the poor who lack land for residential and/or family farming purposes as described in the Sub-Decree on Social Land Concessions No.19 ANK/BK dated March 19, 2003 of the Royal Government of Cambodia.
37. “Sub-Decree on Social Land Concessions” means the Recipient’s Sub-Decree On Social Land Concessions No.19 ANK/BK dated March 19, 2003 of the Royal Government of Cambodia defining the criteria, procedures and mechanisms for the granting of land concessions.
38. “Sub-decree on the Implementation of Merit Based Performance Incentives” means the Recipient’s Sub-decree No. 29, dated April 2, 2008 adopted by the Recipient on the implementation of an harmonized MBPI scheme for civil servants.
39. “Sub-grant” means a grant made available to a Beneficiary under Part B of the Project and in accordance with the provisions of a Sub-grant Agreement, and the term “Sub-grants” means, collectively, more than one Sub-grant.
40. “Sub-grant Agreement” means the agreement to be entered into for purposes of implementing and financing a Sub-project, and the term “Sub-grant Agreements” means collectively, all such Sub-grant Agreements.
41. “Sub-project” means a project to be carried out by a Beneficiary utilizing the proceeds of a Sub-grant, all in accordance with the provisions of the Project Implementation Manual, and the term “Sub-projects” means all such Sub-projects.
42. “Training” means training conducted in the territory of the Recipient, and study tours abroad, including purchase and publication of materials, rental of facilities, course fees, and travel, accommodation and subsistence of trainees.