

CONFORMED COPY

CREDIT NUMBER 3605 KH

Development Credit Agreement

(Land Management and Administration Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 27, 2002

CREDIT NUMBER 3605 KH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 27, 2002, between KINGDOM OF CAMBODIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a Statement on Land Policy adopted by the Borrower on May 16, 2001 describing a program of actions, objectives and policies designed to improve land tenure security and promote the development of efficient land markets (the

Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement and which forms part of the Program, has requested the Association to assist in the financing of the Project;

(C) the Borrower intends to obtain from: (i) Germany a grant (the German Grant) in an amount equivalent to three million five hundred thousand dollars (\$3,500,000) to assist in financing the Project, on terms and conditions set forth in an agreement (the German Grant Agreement) to be entered into between the Borrower and Germany; and (ii) Finland a grant (the Finnish Grant) in an amount equivalent to three million five hundred thousand dollars (\$3,500,000) to assist in financing the Project on terms and conditions set forth in an agreement (the Finnish Grant Agreement) to be entered into between the Borrower and Finland; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the 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 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ; and

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

"Except as the Borrower and the Association 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 Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional

terms have the following meanings:

(a) “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Affected Person” means any of the Affected Persons;

(b) “AWPB” means the annual work program and budget to be prepared by the Borrower in accordance with paragraph I.5 of Schedule 4 to this Agreement;

(c) “Cadastral Commission” means the commission established pursuant to Article 47 of the Land Law (as hereinafter defined) and responsible for the settlement of land disputes;

(d) “Co-financing Grant” means any of the cofinancing grants referred to in Recital (C) of the Preamble to this Agreement, namely the German Grant and the Finnish Grant;

(e) “Eligible Categories” means categories 1 through 6 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(f) “Eligible Expenditures” means the expenditures in respect of the reasonable cost of goods, works, and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement;

(g) “Environmental and Social Guidelines” means the environmental and social guidelines adopted by the Borrower on January 25, 2002 and setting out, in particular, measures to mitigate adverse environmental or social effects that may result from the implementation of the Project, and comprised of an Environmental Management Plan, a Resettlement Policy Framework (as hereinafter defined) and a Policy Framework for Indigenous People (as hereinafter defined), as such guidelines may be amended from time to time with the prior concurrence of the Association;

(h) “Environmental Management Plan” is the set of environmental principles, guidelines and procedures to mitigate any potential adverse environmental impact under the Project and included in the Environmental and Social Guidelines;

(i) “FY” and “Fiscal Year” mean the Borrower’s fiscal year which starts on January 1 and ends on December 31;

(j) “Initial Deposit” means the initial amount to be deposited into the Project Account (as hereinafter defined) pursuant to Section 3.02 (b) of this Agreement;

(k) “Land Law” means the land law adopted by the Borrower on August 30, 2001;

(l) “Land Policy Council” means the Council established by the Borrower pursuant to Sub-decree No. 88 dated December 1, 2000 and whose role and functions are described in paragraph I.2 of Schedule 4 to this Agreement;

(m) “MLMUPC” means the Borrower’s Ministry of Land Management, Urban Planning and Construction or any successor thereto;

(n) “National Bank of Cambodia” and “NBC” mean the Borrower’s Central Bank, or any successor thereto;

(o) “PIM” and “ Project Implementation Manual” mean the manual referred to in paragraph I.6 of Schedule 4 to this Agreement and comprising the policies, procedures and guidelines which shall be followed by the Borrower in the implementation of the Project;

(p) “Policy Framework for Indigenous Peoples” means the guidelines, principles and procedures included in the Environmental and Social Guidelines, aimed at ensuring that any indigenous peoples that may be living in Project Provinces (as hereinafter defined) are properly identified, receive culturally compatible social and economic benefits and do not suffer adverse effects as a result of the implementation of the Project;

(q) “Project Account” means the account referred to in Section 3.02(a) of this Agreement;

(r) “Project Province” means any province or municipality in the territory of the Borrower where the Project will be implemented that is included in the list set forth in Schedule 6 to this Agreement, as such list may be amended from time to time by agreement between the Borrower and the Association.

(s) “Project Management Report” and “PMR” mean each report prepared in accordance with Section 4.02 of this Agreement;

(t) “PMO” means the Project Management Office to be established by the Borrower in accordance with Section 3 of Schedule 4 of this Agreement and whose role and functions are described in paragraph I.3 of Schedule 4 to this Agreement;

(u) “PPMO” means a Provincial Project Management Office, to be established by the Borrower in accordance with Section 4 of Schedule 4 of this Agreement and whose roles and functions are described in paragraph I.4 of Schedule 4 to this Agreement;

(v) “Resettlement Policy Framework” means the policy framework for compensation, resettlement and rehabilitation of Affected Persons included in the Environmental and Social Guidelines and setting forth the guidelines, principles and procedures for mitigating any adverse impact that may arise from resettlement under the Project;

(w) “Royal Agricultural University” is an institution of higher learning located in the city of Phnom Penh and established by the Borrower pursuant to Sub-decree No. 115-ANK dated December 27, 1999; and

(x) “Special Account” means the account referred to in Section 2.02(b) of this Agreement; and “Second Generation Special Account” and “SGSA” mean the account referred to in Section 2.02 (c) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to nineteen million three hundred thousand Special Drawing Rights (SDR 19,300,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in US dollars a separate special deposit account at the National Bank of Cambodia on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower may, for the purposes of the Project, open and maintain in US dollars a separate SGSA in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the SGSA shall be made in accordance with the provisions of Schedule 5 to this Agreement and additional procedures that shall have been approved by the Association.

Section 2.03. The Closing Date shall be December 31, 2007 or such later date as the Association shall establish. The Association 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 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 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 Credit Account or canceled; and (ii) at the rate set as of 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 Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 2012 and ending February 15, 2042. Each installment to and including the installment payable on February 15, 2022 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association 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 repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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 Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) 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 Association 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 MLMUPC with due diligence and efficiency and in conformity with appropriate administrative, financial and land management practices and environmental and social standards and shall provide, promptly as needed, the funds, 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 Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Without limitation upon the provisions of paragraph (a) of Section 3.01 of this Agreement, and except as the Borrower and the Association shall otherwise agree, the Borrower shall, for purposes of financing its contribution to expenditures under the Project:

(a) open an account in the National Bank of Cambodia (the Project Account), and thereafter maintain said Project Account under terms and conditions acceptable to the Association until the completion of the Project;

(b) deposit into the Project Account an initial amount equivalent to \$100,000;

(c) thereafter replenish the Project Account by depositing therein the balance of the Borrower's counterpart contribution in periodic installments consistent with the financing requirements of the Project as reflected in the AWPB, subject to maintaining a minimum balance of \$50,000 equivalent in the Project Account, or in such other installments as may be acceptable to the Association; and

(d) ensure that funds deposited into the Project Account in accordance with paragraphs (b) and (c) of this Section shall be used exclusively to finance expenditures under the Project other than those financed from the proceeds of the Credit and Cofinancing Grants.

Section 3.03. Except as the Association 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 Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Association 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 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 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 and the SGSA, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the 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 year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said

Section 4.01 in order to enable the Borrower, not later than July 1, 2002 or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

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

(a) a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) the Borrower has made amendments to the Land Law that in the opinion of the Association would materially and adversely affect the carrying out of the Project or any part thereof;

(c) subject to subparagraph (d) of this paragraph, the right of the Borrower to withdraw the proceeds of any Cofinancing Grant made to the Borrower shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor;

(d) subparagraph (c) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination is not

caused by the failure of the Borrower to perform any of its obligations under such 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

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

- (a) the Borrower has established an adequate financial management system, satisfactory to the Association, to ensure proper accounting, monitoring and reporting of Project operations, resources and expenditures;
- (b) the Borrower has opened the Project Account and made therein the Initial Deposit; and
- (c) the Borrower has adopted the PIM, in form and substance satisfactory to the Association.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Environmental and Social Guidelines have been duly authorized and approved by the Borrower in accordance with its laws and regulations and are legally binding upon the Borrower in accordance with their terms.

Section 6.03. 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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister in charge of Finance of the Borrower is designated as the 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
92nd Street, Sangkat Wat Phnom
Phnom Penh,
Kingdom of Cambodia

Telex:

Facsimile:

(583) 17770101 CMPP

855-23-427798

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

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

KINGDOM OF CAMBODIA

By /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ian C. Porter

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

**Amount of the
Credit Allocated
(Expressed in**

**% of
Expenditures**

<u>Category</u>	<u>SDR Equivalent)</u>	<u>to be Financed</u>
(1) Goods	3,400,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(2) Works	3,300,000	90%
(3) Consultants' Services	1,100,000	100%
(4) Training, Workshops and Study Tours	1,200,000	100%
(5) Title Development Costs	8,100,000	100%
(6) Incremental Operating Costs:		
(a) Audits	56,000	100%
(b) Other	740,000	100% during FY 2002, FY 2003 and FY 2004; and 50% thereafter
(7) Unallocated	1,404,000	
TOTAL	<u>19,300,000</u>	

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;

(c) the term "incremental operating costs" means the reasonable cost of incremental expenses incurred by PMO and MLMUPC central departments on account of Project implementation, management and monitoring (which expenses would not have been incurred absent the Project), including office supplies, telecommunications expenses, vehicle operation and maintenance, audits under Article IV of this Agreement, travel costs including per diem, bank charges relating to the Special Account or SGSA, but excluding salaries or salary supplements of officials of the Borrower's civil service; and

(d) the term "title development costs" means the expenses incurred by PPMOs on account of systematic and sporadic land titling, land recording and information management,

including materials, travel expenses of adjudication teams and PPMO staff, salaries and allowances of non Government staff contracted for the adjudication teams, and materials for adjudication and surveying.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 320,000, may be made for expenditures under Categories (1) through (6) before that date but after January 1, 2002.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works under contracts costing less than \$100,000 equivalent; (b) goods under contracts costing less than \$50,000 equivalent; (c) consultants' services under contracts with firms costing less than \$100,000 equivalent; (d) consultants' services under contracts with individuals costing less than \$50,000 equivalent; (e) training, workshops and study tours; (f) title development costs; and (g) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in its efforts to implement the Program, which includes: (i) the development of adequate national policies, a regulatory framework and institutions for land administration; (ii) the issuance and registration of titles in rural and urban areas in the Project Provinces; and (iii) the establishment of an efficient and transparent land administration system.

Part A: Development of Land Policy and Regulatory Framework

(a) Strengthening the capacity of the secretariat of the Land Policy Council in land policy formulation, including the provision of technical advisory services, training, the organization of study tours and workshops for its staff and the acquisition of office equipment.

(b) (i) Formulation by MLMUPC of key policies for land administration and management, in particular those relating to delimitation and administration of state property, land accessibility and development, registration of community and indigenous peoples' land rights, registration of land in and around natural resources, fees and taxes related to land titling and registration; (ii) development and drafting of the legal instruments needed for the implementation of the Project, including sub-decrees and other regulations necessary for the implementation of the Land Law; and (iii) dissemination of relevant policies, laws and regulations of the Borrower pertaining to land administration and management.

Part B: Institutional Development

(a) Long-term institutional development of the MLMUPC at all levels, through the carrying out of a review of its structure and human resources development plan, the establishment of an administrative and financial control system, the construction or renovation of office buildings, the acquisition of vehicles, furniture, office and mapping equipment and the

provision of technical advisory services and training to its staff.

(b) Strengthening the capacity of the PMO in Project management, including the provision of technical advisory services and training for its staff, and the acquisition of vehicles, equipment and materials.

(c) Development of land management and administration education programs at the Royal Agricultural University, including the construction or renovation of office buildings, the acquisition of furniture, office and training equipment and the provision of technical advisory services.

(d) Development of a private surveying industry, including institutional development of the surveying industry and provision of training to surveyors.

Part C: Land Titling Program and Development of Land Registration System

(a) Information dissemination on, and community participation in, land titling and land registration in the Project Provinces including: (i) the carrying out of information campaigns by selected non-governmental organizations; and (ii) the collection of village land profiles to be used in the titling program and the monitoring of the socioeconomic impact of the Project.

(b) Carrying out of a systematic land titling program in the Project Provinces, including geodetic network control, aerial photography and base mapping, training in support of accelerated land titling, field surveys and adjudication.

(c) Carrying out of a sporadic land titling program in the Project Provinces by way of issuance of titles on demand, including the provision of technical advisory services and training to provincial adjudication teams.

(d) Development of an efficient and transparent land registration system, including the carrying out of a review of land registration system and operational procedures, the upgrading of MLMUPC office facilities, furniture and equipment at the provincial and district level, and the establishment of a land registration database system.

Part D: Strengthening Mechanisms for Dispute Resolution

(a) Strengthening the capacity of the central, provincial and district offices of the Cadastral Commission including the acquisition of office equipment and materials, vehicles and motorbikes, and mapping equipment; the provision of training to its staff; and the carrying out of a public information campaign on the dispute settlement mechanism set forth in the Land Law.

(b) Facilitating access to legal assistance through the contracting of the services of specialized nongovernmental organizations to provide needed legal assistance to disadvantaged individuals or communities involved in land disputes.

Part E: Land Management

(a) Clarification of procedures for defining different classes of land, such as forest land, protected area land, private land, private state land, and public state land.

(b) Procurement of aerial photographs and satellite images.

(c) Preparation of land classification maps for each of the Project Provinces showing boundaries of forests, protected areas, land under private use, land under public use, and land under concession, including the provision of technical advisory services and training and the acquisition of equipment and materials.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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 and August 1996, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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.

Preference for domestically manufactured goods 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 works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works for the construction or renovation of MLMUPC's provincial or district offices estimated to cost less than \$300,000 equivalent per contract up to an aggregate amount not to exceed \$2,220,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods consisting of furniture and office equipment estimated to cost less than \$100,000 equivalent per contract up to an aggregate amount not to exceed \$1,440,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement from UN Agencies

Vehicles and motorcycles up to an aggregate amount equivalent to \$1,100,000 may be procured from the Inter-Agency Procurement Office (IAPSO) of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

3. National Shopping

Goods consisting of furniture and office equipment estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$840,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

Goods consisting of software, reference books and journals of a proprietary nature that are obtainable only from one source and costing \$150,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. Procurement of Small Works

Small works for office renovation under Parts B and C of the Project estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$360,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, 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 experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods or works to be procured under international competitive bidding procedures pursuant to Part B of Section I of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) each contract for works estimated to cost the equivalent of \$100,000 or more and all contracts for goods to be procured under national competitive bidding procedures in accordance with Part C.1 of Section I of this Schedule; (ii) all contracts to be procured through IAPSO in accordance with Part C.2 of Section I of this Schedule; and (iii) all contracts to be procured under direct contracting procedures in accordance with Part C.4 of Section I of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(c) With respect to the first contract for goods to be procured each year under shopping procedures in accordance with Part C.3 of Section I of this Schedule, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) 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

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection under a Fixed Budget

Services for households and institutional surveys under Part C of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Financial auditing services under Article IV of this Agreement estimated to cost less than an aggregate of \$50,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for information dissemination under Part C of the Project which are estimated to cost less than an aggregate of \$300,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

5. Selection Based on Consultants' Qualifications

Services for information dissemination under Part C(a) of the Project and legal assistance under Part D(b) of the Project which are estimated to cost less than an aggregate

amount of \$200,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraph 3.7 of the Consultants' Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more and each contract to be awarded pursuant to Part C.3 of Section II of this Schedule, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

I. Project Oversight, Coordination and Management

1. The Borrower shall implement the Project through MLMUPC and to that end shall provide it with sufficient funds, staffing and other resources as shall be required to allow it to carry out its responsibilities under the Project.

2. The Borrower shall maintain, at all times during the implementation of the Project, a Land Policy Council, which shall be responsible, with the assistance of a secretariat, for providing policy coordination and guidance to MLMUPC with respect to Project implementation. The Land Policy Council shall convene at least every six months to review progress in Project implementation and assist in resolving any policy issues affecting Project implementation.

3. The Borrower shall maintain, at all times during the implementation of the Project, a

PMO within MLMUPC which shall be responsible for overall Project planning, coordination, monitoring, accounting, financial management and procurement. PMO shall be headed by a Project director who shall report to the Minister of Land Management, Urban Planning and Construction on matters of Project implementation and to the Land Policy Council for policy guidance. PMO staff shall at all times during Project implementation include a financial management officer as well as a procurement, and a monitoring and evaluation specialists.

4. The Borrower shall implement the Project at the provincial level through PPMOs, which shall be adequately staffed, including in particular, for the discharge of accounting functions, and, under the direction and control of PMO, be responsible for carrying out the Project at the provincial level, including coordination and management of Project activities, preparation and submission of periodic technical reports, and liaison with other provincial officials.

5. The Borrower shall manage the Project on the basis of AWPBs, which shall be satisfactory to the Association. To that end, the Borrower shall furnish to the Association, no later than July 31 of each year, starting July 31, 2002, an AWPB, for its review. Each AWPB shall contain: (a) a brief report on the results achieved with the previous year's AWPB compared to the objectives with an explanation of the reasons for any identified differences; (b) a succinct presentation of the main problems encountered and the lessons learned; (c) a clear description of the activities that are going to be undertaken to achieve those objectives and the performance monitoring indicators for that year, including details of any activities pertaining to the implementation of the Environmental and Social Guidelines; (d) a detailed estimate of the costs to be incurred in carrying out these activities; and (e) a financing plan showing how the costs are going to be financed.

6. The Borrower shall:

(a) adopt, in a form and substance acceptable to the Association a PIM setting forth, inter alia: (i) a financial management manual and details of all procurement and other administrative and organizational arrangements for implementation of activities under the Project, which procedures shall be consistent with those set forth in Article IV of this Agreement and Schedules 3 and 5 to this Agreement; (ii) performance indicators, monitoring and evaluation procedures for the Project; and (iii) the Environmental and Social Guidelines; and

(b) carry out the Project in accordance with the timetable and procedures set out in the PIM, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

II. Project Monitoring

The Borrower shall:

1. maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, and referred to in the PIM, the carrying out of the Project and the achievement of the objectives thereof;

2. prepare, in a format satisfactory to the Association, and furnish to the Association, on or about April 30 and October 30 of each calendar year, commencing on October 30, 2002, a report

on progress made in the implementation of the Project;

3. prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 30, 2004, a midterm review report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (1) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

4. review with the Association, by October 31, 2004, or such later date as the Association shall request, the mid-term review report referred to in paragraph (3) of this Section, 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 the said report and the Association's views on the matter.

III. Other Covenants

1. The Borrower shall carry out the Project in accordance with the measures described in the Environmental and Social Guidelines and, without any limitation thereto, shall take timely action to ensure that any adverse environmental or social impact of the Project is effectively mitigated in a manner satisfactory to the Association. In particular, the Borrower shall take all such action as shall be necessary to ensure that: (i) the Resettlement Policy Framework is applied in a manner satisfactory to the Association including in the carrying out any civil works under Part B(a) of the Project, or in the event of eviction from state land or extension of right of way claims under Parts C(b) and (c) of the Project; and (ii) that the Policy Framework for Indigenous Peoples is applied in a manner satisfactory to the Association, including adequately screening the presence of any indigenous peoples in Project Provinces, ensuring that any identified indigenous peoples receive culturally compatible social and economic benefits and do not suffer unmitigated adverse effects as a result of the implementation of the Project.

2. The Borrower shall, no later than December 31, 2003, develop and implement a restructuring plan of MLMUPC, satisfactory to the Association.

3. The Borrower shall: (i) no later than July 1, 2002, issue the sub-decree referred to in Article 228 of the Land Law, setting forth the organization and functions of the cadastral administration, which shall be satisfactory to the Association; and (ii) no later than December 31, 2002, issue a ministerial instruction, satisfactory to the Association, setting forth the detailed implementation arrangements for the sub-decree referred to in the preceding subparagraph.

4. The Borrower shall, no later than December 31, 2002, establish PPMOs in all Project Provinces where such PPMOs would have not been established by such date.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (6) 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, works and services required for the Project and to be financed out of the proceeds of the 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 \$2,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.

2. Payments out of the Special Account shall be made either (i) for eligible expenditures, or (ii) into the SGSA, for payments of eligible expenditures, all in accordance with the provisions of this Schedule.

3. After the Association 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the 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 and/or SGSA for eligible expenditures. All such deposits shall be withdrawn by the Association from the 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 and /or the SGSA , the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account and the SGSA;

(c) if, at any time, the Association 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account and/or the SGSA as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account or SGSA: (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 Association, the Borrower shall promptly, upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account, or the SGSA, where relevant, (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association shall have determined at any time that any amount outstanding in the Special Account or SGSA will not be required to cover further payments for eligible expenditures, the Borrower shall promptly, upon notice from the Association, refund to the Association such outstanding amount.

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

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

SCHEDULE 6

Project Provinces

For purposes of this Agreement, the term “Project Provinces” shall include the following provinces or municipalities in the territory of the Borrower:

Takeo
Phnom Penh
Prey Veng
Kandal
Kampong Speu
Krong Preah Sihanouk
Kampong Thom
Kampong Cham
Kampot
Siem Reap
Battambang.

