

**CONFORMED COPY**

**GRANT NUMBER TF H016 KH**

# **FIRST DEVELOPMENT GRANT AGREEMENT**

**(Health Sector Support Project)**

**between**

**KINGDOM OF CAMBODIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 27, 2003**

## **FIRST DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated February 27, 2003 between KINGDOM OF CAMBODIA (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) by an agreement of even date herewith between the Recipient and the Association (the Development Credit Agreement), the Association is agreeing to provide a development credit to the Recipient in an amount in various currencies equivalent to thirteen million one hundred thousand Special Drawing Rights (SDR 13,100,000) (the Credit) towards the financing of the Health Sector Support Project (the Project as described in Schedule 2 to the Development Credit Agreement), on the terms and conditions set forth in the Development Credit Agreement, and the Recipient is declaring its commitment to the objectives of the Project and agreeing to carry out the Project in accordance with the terms of the Development Credit Agreement;

(B) the Recipient has also requested that the Association provide non-refundable assistance towards the financing of Part B of the Project; and

WHEREAS (C) the Association has agreed, on the basis, inter alia, of the foregoing, to make a grant (the First Development Grant) available to the Recipient 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. (a) The following provisions of 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 in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (12), (13) and (14), 2.02 and 2.03;
- (iii) Section 3.01;

- (iv) Sections 4.01 and 4.05;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;
  - (ix) Article X;
  - (x) Article XI; and
  - (xi) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Borrower” wherever used in the General Conditions, means the Recipient;
  - (ii) the term “Development Credit Agreement” wherever used in the General Conditions, means this Agreement;
  - (iii) the term “Credit” wherever used in the General Conditions, means the First Development Grant;
  - (iv) the term “Credit Account” wherever used in the General Conditions, means the First Development Grant Account, an account opened by the Association on its books in the name of the Recipient to which the amount of the First Development Grant is credited; and

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth, and the following additional term has the following meaning:

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

## ARTICLE II

### The First Development Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the First Development Grant in an amount in various currencies equivalent to one million six hundred thousand Special Drawing Rights (SDR 1,600,000).

Section 2.02. (a) The amount of the First Development Grant may be withdrawn from the First Development Grant 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 costs of goods and services required for Part B.1 (d) of the Project and to be financed out of the First Development Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a 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 2 to this Agreement.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

(c) The commitment charge shall be paid: (i) at such place as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; 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 2.04. Commitment charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.05. The Closing Date shall be December 31, 2007 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and to this end, shall carry out Part B.1 (d) of the Project through the National Center for HIV/AIDS, Dermatology and Sexually Transmitted Diseases Control, all with due diligence and efficiency and in conformity with appropriate administrative, financial and public health and safety practices, and environmental and social standards acceptable to the Association, 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 Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and services required for Part B.1 (d) of the Project and to be financed out of the First Development Grant shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

### **ARTICLE IV**

#### **Financial Covenants**

Section 4.01. (a) The Recipient 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 Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, 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 First Development Grant Account were made on the basis of statements of expenditure, the Recipient 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 First Development Grant 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 Recipient's progress reporting obligations set out in paragraph 19 of Schedule 4 to the Development Credit Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

(b) The first financial monitoring report shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each financial monitoring report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely that, the right of the Recipient to withdraw the proceeds of the Credit shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement.

## **ARTICLE VI**

### **Effectiveness; Termination**

Section 6.01. The following event is specified as a condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely that the Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled.

Section 6.02. This Agreement shall continue in effect until disbursement under this Agreement has been completed and the parties to this Agreement have fulfilled all their obligations hereunder, provided, however, that if the Development Credit Agreement terminates prior to the termination of this Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.

## **ARTICLE VII**

### **Representation**

Section 7.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient 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  
92<sup>nd</sup> Street, Sangkat Wat Phnom  
Phnom Penh  
Kingdom of Cambodia

Facsimile:

(855 - 23) 427 - 798  
(855 - 23) 725 - 341

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)

(1- 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 the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF CAMBODIA

By /s/ Roland Eng

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jemal-ud-din

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the First Development Grant**

1. The table below sets forth the Categories of items to be financed out of the First Development Grant, the allocation of the amount of the First Development Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the First Development Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditure to be Financed</u>
(1) Incremental Costs under Part B.1 (d) of the Project	900,000	100% of expenditures through December 2003, 90% through December 2004, 80% through December 2005, and 70% thereafter
(2) Drugs and reagents under Part B.1 (d) of the Project	700,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost), and 85% of local expenditures for other items procured locally
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TOTAL	<u>1,600,000</u>	

2. For the purposes of this Schedule, the term “incremental costs” means the reasonable costs of incremental expenditures incurred by the Recipient on account of implementation of Part B.1 (d) of the Project, for surveillance and monitoring activities, information collection and reporting, transportation and accommodations for Project staff in carrying out monitoring and supervision activities, office supplies and consumables and communication costs, which expenditures would not have been incurred absent the Project, but excluding salaries or salary supplements.

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 160,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after September 30, 2002.

4. The Association may require withdrawals from the First Development Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) incremental costs, and (b) drugs and reagents under contracts costing less than \$200,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Recipient.

## **SCHEDULE 2**

### **Special Account**

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) and (2) 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 or services required for Part B.1 (d) of the Project and to be financed out of the proceeds of the First Development Grant 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 US\$200,000 to be withdrawn from the First Development Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

3. After the 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 Recipient 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 Recipient, withdraw from the First Development Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient 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 Recipient 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 Recipient, withdraw from the First Development Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been

shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the First Development Grant Account under the 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 Recipient out of the Special Account, the Recipient 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 Recipient directly from the First Development Grant 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 Recipient 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;

(c) if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the First Development Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the First Development Grant 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 Part B.1 (d) of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the First Development Grant Account of the remaining unwithdrawn amount of the First Development Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. 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 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: (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 Recipient 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, 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 Recipient 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 will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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