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**CREDIT NUMBER 75480-KH**

# **Financing Agreement**

**(Skills for Better Jobs Project)**

**between**

**KINGDOM OF CAMBODIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 75480-KH**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date 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) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to thirty million and three hundred thousand Special Drawing Rights (SDR 30,300,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
- 2.06. The Payment Dates are May 1 and November 1 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01 The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out its Respective Parts of the Project, through its Ministry of Labour and Vocational Training, and cause Parts 3 and 4.2 of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely the Recipient has taken or permitted to be taken any action which would amend, suspend, abrogate, repeal, or waive the Project Implementing Entity's Legislation so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity, and the Subsidiary Agreement has been duly authorized by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms; and
  - (b) the Project Agreement has been duly executed by the Project Implementing Entity and the Association and all conditions precedent to its effectiveness have been fulfilled.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.03. For purposes of Section 10.05 (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 Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is its Minister responsible for finance.

6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

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

(b) the Recipient's Electronic Address is:

E-mail:

[gdicdm@mef.gov.kh](mailto:gdicdm@mef.gov.kh)

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

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

(b) the Association's Electronic Address is:

Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

KINGDOM OF CAMBODIA

By



Authorized Representative

H.E. Dr. Aun Pornmoniroth

Name: \_\_\_\_\_

Title: Minister of Economy and Finance

Date: 07-Jul-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Maryam Salim

Name: \_\_\_\_\_

Title: Country Manager

Date: 14-Jun-2024

## SCHEDULE 1

### Project Description

The objective of the Project is to enhance quality and relevance of skills among Cambodia's upcoming and existing workforce, and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

The Project consists of the following parts:

#### Part 1: Strengthening TVET to Upskill and Respond to Industry Needs

- 1.1 Supporting the Recipient with sector-wide improvements in industry engagement and quality in selected sectors, by:
  - (a) providing technical assistance to establish and strengthen Sector Skills Councils ("SSCs") in their role as facilitators of effective collaboration between training institutions and industry;
  - (b) supporting curriculum development by modernizing and developing curricula and standard training packages for critical occupations and skills in priority sectors; and
  - (c) carrying-out training activities for teachers on the curriculum developed under 1.1(b).
  
- 1.2 Supporting the Recipient with improvements in industry engagement and quality in selected training institutions, through:
  - (a) providing technical assistance to establish Industry-School Committees ("ISCs");
  - (b) providing technical assistance to support selected training institutions and their industry partners to develop, implement, and monitor the Industry Linkage Development Plans ("ILDPs") and conducting information campaigns and building capacity on Employer Engagement in Skills Development ("EESD") among staff of TVET providers, with the view to establishing effective partnerships between TVET providers and industry; and
  - (c) providing result-based financing grants to selected and eligible training institutions for implementing the activities set out in ILDPs, including, *inter alia*, selected civil works and training-related equipment ("ILDP Financing").

## **Part 2: Information and Orientation for Better Jobs**

- 2.1 Strengthening the Recipient's labor market information system, through:
- (a) providing technical assistance to develop a labor market information system roadmap;
  - (b) providing technical assistance and surveys to support data collection and analysis, and dissemination of labor market information;
  - (c) providing technical assistance to improve the quality of the job matching function on the National Employment Agency ("NEA") website for both employers and jobseekers;
  - (d) revising and digitizing the self-assessment tool for career guidance; and
  - (e) supporting the modernization and upgrade of the labor market information system website, applications, and social media, including, *inter alia*, software updates and provision of hardware equipment.
- 2.2 Enhancing job search support and career guidance, by:
- (a) improving career orientation activities undertaken by the NEA by: (i) revising career guidance and job counseling material; (ii) conducting training of trainers for career orientation staff;
  - (b) expanding career orientation services and delivering short trainings for job search support or job retention, including through the hiring of specialized staff selected to conduct career orientation; and
  - (c) refurbishing selected job centers, including the upgrade of the equipment of seven selected centers and the purchase of a mobile job center.

## **Part 3: Strengthening Sector Associations for EESD and Expanding Skills Development**

- 3.1 Providing support to SDF to strengthen industry associations to increase their engagement in skills development in selected sectors, by providing technical assistance and training to selected industry associations to support its members in defining the industry needs in terms of skills, training activities, and to improve their participation in SSCs.
- 3.2 Providing support to SDF to enhance and expand skills development in selected sectors, through:

- (a) reinforcing the capacity of the SDF to expand and manage demand-driven training through: (i) communication and awareness campaigns to relevant stakeholders about the SDF; (ii) technical assistance: (A) to enhance SDF's capacity in training management (including support with standard operating procedures and selection of SDF beneficiaries); (B) to improve SDF's monitoring and evaluation process; and (C) to strengthen IT systems through digitization and streamlining of SDF processes; (iii) Training and study visits; and (iv) purchasing IT equipment (including both hardware and software) to improve the SDF's information system for monitoring and evaluation purposes; and
- (b) the provision of SDF Training Financing to Eligible Training Providers carrying out Sub-projects.

#### **Part 4: Project Management and Monitoring**

- 4.1 Providing support to the Recipient to: (a) establish, maintain, and operate the Project Management Unit for the day-to-day implementation and management of the Recipient's Respective Part of the Project and establishing and maintaining the Project Steering Committee and the Technical Advisory Group; (b) strengthen capacity of Project staff on operations management, financial management, procurement, monitoring and evaluation, and environmental and social management; (c) conduct stakeholder engagement activities; (d) establish and maintain a grievance redress mechanism; and (e) establish and manage the Project monitoring and evaluation system.
- 4.2 Providing support to SDF to: (a) establish, maintain, and operate a project implementation unit ("SDF-PIU") for the day-to-day implementation and management of SDF's Respective Part of the Project; (b) strengthen capacity of Project staff on operations management, financial management, procurement, monitoring and evaluation, and environmental and social management; (c) conduct stakeholder engagement activities; (d) establish and maintain a grievance redress mechanism; and (e) establish and manage the Project monitoring and evaluation system.

#### **Part 5: Contingent Emergency Response**

Provision of immediate response to an Eligible Crisis or Emergency, as needed.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

##### 1. MLVT

- (a) The Recipient shall designate and charge MLVT with overall responsibility for Project coordination and supervision (the “Executive Agency” or “EA”).
- (b) The Recipient shall ensure that the following implementation arrangements are maintained throughout the period of implementation of the Project.

##### 2. Project Steering Committee

- (a) The Recipient shall, no later than three (3) months after the Effective Date, establish and thereafter maintain a Project Steering Committee with terms of reference, composition and resources acceptable to the Association.
- (b) Without limitation to the provisions of paragraph (a) above, the Project Steering Committee shall: (i) include high-level representatives of the Recipient’s key ministries, relevant national agencies, and selected firms in priority sectors; and (ii) be responsible for providing overall strategic guidance, coordination and oversight of the Project, including facilitating coordination across agencies, supporting outreach and resource mobilization and reviewing implementation and audit reports.

##### 3. Technical Advisory Group

- (a) The Recipient shall, no later than three (3) months after the Effective Date, establish and thereafter maintain, a Technical Advisory Group, under the MLVT, with terms of reference, composition and resources acceptable to the Association.
- (b) Without limitation to the provisions of paragraph (a) above, the Technical Advisory Group shall: (i) include subject matter experts and representatives from the Recipient’s national agencies and firms in automotive, electric and electronics, and other priority sectors participating in Project implementation; and (ii) be responsible for the provision of technical guidance, support and advice on Project activities.

4. Project Management Unit

- (a) The Recipient shall maintain at all times throughout Project implementation, a Project Management Unit (“PMU”) hosted under the MLVT, with terms of reference, composition and resources acceptable to the Association.
- (b) To that end, the PMU: (i) shall maintain key staff in adequate number, each with terms of reference, qualifications and experience acceptable to the Association; and (ii) shall be responsible for, *inter alia*, managing the day-to-day operation and administration of its Respective Part of the Project, including the preparation of work plans and budgets, fiduciary management, supervision of compliance with the ESSs and ESCP, monitoring, evaluation and reporting, as well as contribution and aggregation of inputs to the preparation of reports, plans and budgets.
- (c) Without limitation to the provisions of paragraphs (a) and (b) above, the Recipient shall ensure the PMU is provided with sufficient and qualified functions and resources as set forth in the Project Operations Manual, all in a manner satisfactory to the Association, for the purpose of ensuring the efficient implementation of the Project. To that respect, the Recipient shall assign the following staff for the PMU, each with terms of reference, qualification and experience acceptable to the Association: (i) a project director, (ii) a project manager, (iii) a procurement officer, (iv) a financial officer, and (v) an environmental and social focal point.

5. Project Implementing Entity

- (a) The Recipient shall cause the Project Implementing Entity to be responsible for the carrying out of its Respective Part of the Project, including technical supervision, monitoring and evaluation, financial management, procurement, and environmental and social safeguards related work.
- (b) Without limitation to the provisions of paragraph (a) above, the Recipient shall cause the Project Implementing Entity to be responsible for: (i) developing the annual work plans and budgets, referenced in Section I.D of this Schedule of this Agreement; (ii) carrying out day-to-day activities for the management of its Respective Part of the Project, including financial management, procurement, and environmental and social safeguards; and (iii) reporting to the Project Steering Committee and the Association on all matters pertaining to the implementation of the Project and the use of the proceeds of the Financing.

- (c) The Recipient shall cause the Project Implementing Entity to establish and maintain, throughout the implementation of its Respective Part of the Project, a project implementation unit (“SDF-PIU”), with sufficient and qualified staff and with functions and resources as set forth in the Project Operations Manual and the SDF Manual, all in a manner satisfactory to the Association, for the purpose of ensuring the efficient implementation of its Respective Part of the Project.

**B. Subsidiary Agreement**

1. To facilitate the carrying out of its Respective Part of the Project, the Recipient shall make parts of the proceeds of the Financing, allocated from time to time to Categories (3) and (4) of the table set forth in Section III.A of this Schedule, available to the Project Implementing Entity under a subsidiary agreement to be signed between the Recipient and the Project Implementing Entity under terms and conditions approved by the Association (“Subsidiary Agreement”).
2. Without limitation to the provision of Section I.B.1 of this Schedule, the terms and conditions of the Subsidiary Agreement shall include, *inter alia*, the following:
  - (a) the proceeds of the Financing shall be made available by the Recipient to the Project Implementing Entity on a non-reimbursable grant basis (“Subsidiary Financing”);
  - (b) the principal amount of the Subsidiary Financing made available under the Subsidiary Agreement shall be denominated in United States Dollars;
  - (c) the Project Implementing Entity shall carry out Project activities under its responsibility in accordance with this Agreement, the Project Agreement, the Project Operations Manual, SDF Manual, the ESCP, the Procurement Regulations, and the Anti-Corruption Guidelines;
  - (d) the Project Implementing Entity shall comply with all its obligations to the Association under the Project Agreement; and
  - (e) the Recipient has the right to take remedial actions against the Project Implementing Entity, in case the Project Implementing Entity shall have failed to comply with any of its obligations under the Subsidiary Agreement, which actions may include, *inter alia*, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Subsidiary Financing transferred to the Project Implementing Entity pursuant to the Subsidiary Agreement (as the case may be).
3. The Recipient shall exercise its rights under the Subsidiary 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 the Subsidiary Agreement or any of its provisions. In case of any conflict between the terms of the Subsidiary Agreement and those of this Agreement, the terms and conditions of this Agreement shall prevail.

**C. Project Manuals**

1. Project Operations Manual

The Recipient shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association an implementation manual for the Project (“Project Operations Manual” and/or “POM”), in form and substance acceptable to the Association, containing, *inter alia*, detailed arrangements and procedures in connection to: (a) implementation of the Project; (b) administrative; (c) procurement; (d) environmental and social safeguards; (e) financial management and accounting; (f) monitoring and evaluation; (g) grievance mechanism for the Project; and (h) other such technical, administrative, fiduciary or coordination arrangements as may be necessary to ensure effective Project implementation.

2. SDF Manual

The Recipient shall cause the Project Implementing Entity to prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association a manual covering the implementation of its Respective Part of the Project (“SDF Manual”), in form and substance acceptable to the Association, containing, *inter alia*, detailed arrangements and procedures in connection to: financial management, procurement, safeguards measures, Sub-projects selection and financing of SDF Training Financing to Eligible Training Providers (i.e, eligible criteria, application procedures, proposal evaluation and approval, terms and conditions, disbursement, monitoring and evaluation), and verification mechanism, among others.

3. ILDP Implementation Manual

Prior to implementing Part 1.2(c) of the Project, the Recipient shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association, a manual (“ILDP Implementation Manual”) that shall contain detailed arrangements and procedures for the ILDP arrangements, including, *inter alia*: (a) roles and responsibilities of MLVT, the PMU, ISCs, selected training institutions, employers, and other stakeholders; (b) arrangements and procedures for financial management, disbursement, procurement, monitoring, evaluation, reporting, and environmental and social requirements for ILDP Financing; (c)

verification mechanism; and (d) template ILDP Financing and Implementation Agreement.

4. The Recipient shall, and shall cause the Project Implementing Entity to, as applicable: (a) furnish the POM, the ILDP Implementation Manual, and the SDF Manual referred to in Sections I.C.1, I.C.2, and I.C.3 above (together “Project Manuals”) to the Association for review; (b) afford the Association a reasonable opportunity to exchange views with the Recipient on said manuals; and (c) thereafter adopt said manuals as shall have been approved by the Association.
5. The Recipient shall, and shall cause the Project Implementing Entity to: (a) ensure that the Project is carried out in accordance with the POM and the SDF Manual; and (b) not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the POM and the SDF Manual, or any provision thereof, without the prior written agreement of the Association.
6. Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the Project Manuals and those of this Agreement, the provisions of this Agreement shall prevail.

**D. Annual Work Plans and Budgets**

1. The Recipient shall, and shall cause the Project Implementing Entity to, prepare and furnish to the Association for its approval, not later than November 30 of each year, a consolidated annual program of activities (including Training and Operating Costs) proposed for implementation under their Respective Part of the Project for the following Fiscal Year, together with a proposed budget, in a manner and substance satisfactory to the Association, which shall include the source(s) of financing of such activities and expenditures, as well as counterpart funds and any other funds which may become available for the implementation of the Project (“Annual Work Plan and Budget” or “AWPB”); except for the Annual Work Plan and Budget for the first Fiscal Year which shall be furnished to the Association prior to the commencement of the relevant activities under the Project.
2. Without limitation to the provision of Section I.D.1 of this Schedule, each Annual Work Plan and Budget prepared under Section I.D.1 of this Schedule shall set forth: (i) a detailed description of the planned activities, including any proposed conferences and training, under the Project for the period covered by the plan; (ii) the sources and proposed use of funds therefore; and (iii) procurement and environmental and social safeguards arrangements therefor, as applicable.
3. The Recipient shall, and shall cause the Project Implementing Entity to, implement the activities under their Respective Part of the Project during the relevant Fiscal Year in accordance with such plan and budget as approved by the Recipient and agreed with the Association (provided, however, that in the event of any conflict

between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail). Annual Work Plans and Budgets may be revised during the Fiscal Year to which they relate, with the prior written agreement of the Association.

4. Only those activities that are included in an Annual Work Plan and Budget shall be eligible for financing out of the proceeds of the Financing.
5. Training shall be carried out on the basis of Annual Work Plans and Budgets, which shall identify: (a) particulars of the training envisaged; (b) the personnel to be trained; (c) the selection methods and criteria of the institution or individuals conducting such training; (d) the institution conducting such training if identified; (e) the purpose and justification for such training; (f) the location and duration of the proposed training; and (g) the estimate of the cost of such training.
6. Except with the prior and written concurrence of the Association, the Annual Work Plan and Budget shall not be waived, amended or otherwise revised to include new activities.

**E. Counterpart Funding**

1. Without limitation upon its other obligations under Section 5.03 of the General Conditions, the Recipient shall commit a total amount of not less than US\$ 5,110,000 equivalent for the exclusive purpose of providing its own financing for activities under Parts 1.2 and 4 of the Project during the last year of Project implementation period (“Counterpart Funding”), which includes an amount equivalent to US\$ 3,930,000 dedicated to the student costs paid under Part 1.2 of the Project.
2. The Recipient shall ensure that Counterpart Funding shall be used only for the purposes of defraying the cost of expenditures incurred under Parts 1.2 and 4 of the Project, which are part of the Annual Work Plan and Budget and consistent with the objective of the Project.

**F. Environmental and Social Standards**

1. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that its Respective Part of the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that its Respective Part of the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Association. To this end, the Recipient, through MLVT, shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that:
- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Association is promptly notified of any incident or accident related to or having an impact on its Respective Part of the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall, and shall cause the Project Implementing Entity to, establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

6. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that all bidding documents and contracts for civil works under its Respective Part of the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

**G. ILDP Financing under Part 1.2 of the Project**

1. General

The Recipient shall administer ILDP Financing against verified results under Part 1.2(c) of the Project in accordance with procedures set forth in this Section I.G of this Schedule and referred to in more detail in the ILDP Implementation Manual.

2. Eligibility Criteria for ILDP Financing

No proposed ILDP Beneficiary shall be eligible for financing under Part 1.2(c) of the Project unless the Recipient shall have determined that the proposed ILDP Beneficiary satisfies the eligibility criteria set forth in the ILDP Implementation Manual.

3. Terms and Conditions of ILDP Financing

ILDP Financing shall be made pursuant to an ILDP Financing and Implementation Agreement to be concluded between the Recipient, through MLVT, and eligible ILDP Beneficiary under terms and conditions acceptable to the Association and detailed in the ILDP Implementation Manual, which shall include the following provisions:

- (a) the description of the activities to be delivered, including the results and performance targets to be achieved and the arrangements for monitoring, and reporting;
- (b) the modalities for ILDP Financing payments including amount and periodic intervals of payments as well as verification procedures;
- (c) payments shall be made on a grant basis; and
- (d) provisions to the effect that:



- (i) the ILDP Beneficiary's right to the proceeds of the ILDP Financing may be suspended or terminated and/or the ILDP Beneficiary may be required to refund all or any part of the amount already paid upon the ILDP Beneficiary's failure to perform any of its obligations under the pertinent ILDP Financing and Implementation Agreement; and
- (ii) each ILDP Beneficiary shall:
  - (A) deliver the activities 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;
  - (B) procure the goods, works and services to be financed out of the proceeds of the ILDP Financing in accordance with the provisions of this Agreement;
  - (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the ILDP Financing and the achievement of its objectives;
  - (D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the ILDP Financing; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to Recipient and the Association;
  - (E) enable the Recipient and the Association to inspect the implementation of the ILDP Financing, 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.

4. The Recipient shall, through the MLVT, exercise its rights and carry out its obligations under the pertinent ILDP Financing and Implementation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any ILDP Financing and Implementation Agreement, or any provision thereof.

**H. SDF Training Financing under Part 3.2 of the Project**

1. For purposes of carrying out Part 3.2 of the Project, the Recipient shall cause the Project Implementing Entity to make portions of the Financing available to Eligible Training Providers exclusively for the purpose of financing SDF Training Financing, in accordance with eligibility criteria, amounts, and procedures acceptable to the Association and further described in the SDF Manual.
2. The Recipient shall cause the PIE to, using the criteria to be agreed with the Association:
  - (a) develop and maintain a list of Eligible Training Providers;
  - (b) provide the list of Eligible Training Providers to the Association; and
  - (c) Eligible Training Providers shall be those who: (i) meet the guidelines, selection and prioritization criteria set out in the SDF Manual for financing of training proposals out of the proceeds of the Financing; and (ii) have entered into a Training Agreement.
3. The Recipient shall cause the PIE to provide SDF Training Financing to Eligible Training Providers to carry out Sub-projects in accordance with eligibility criteria and procedures acceptable to the Association and set forth in the SDF Manual.
4. The Recipient shall cause the PIE to enter into a Training Agreement with Eligible Training Providers to administer and implement the provision of SDF Training Financing on terms and conditions approved by the Association, which shall include the following:
  - (a) no SDF Training Financing shall be made unless the PIE has determined that: (i) the SDF Training Financing meets the Project's objective following the Eligible Training Provider's assessment of the relevant Sub-project; and (ii) the Eligible Training Provider is eligible and has been duly selected for a satisfactory training proposal and a satisfactory implementation plan for the proposed Sub-project;
  - (b) the Eligible Training Provider's voluntary participation in the Project and commitment to use the resources of the SDF Training Financing for the

establishment and implementation of Sub-projects, as set out in the guidelines included in the SDF Manual and Training Agreement;

- (c) the lump sum amount of any of SDF Training Financing per Sub-project (as set forth in the SDF Manual) and to be paid on a non-reimbursable basis to such Eligible Training Provider;
  - (d) the conditions for release of the SDF Training Financing to such Eligible Training Provider including the number and amounts of each individual thereof as provided for in the SDF Manual;
  - (e) the obligation and agreement of the Eligible Training Provider to accept random and/or unannounced physical inspection by the PIE, and/or the Recipient in relation to the selection and implementation of Sub-projects;
  - (f) the obligation of the PIE to oversee SDF Training Financing as well as monitor and evaluate the activities of the Eligible Training Provider to ensure that payments are made, and activities are carried out, in accordance with the terms, conditions and procedures contained in the SDF Manual and in a manner consistent with this Agreement; and
  - (g) the PIE's right to suspend or terminate the right of the Eligible Training Provider to use the proceeds of the SDF Training Financing, upon any failure of the Eligible Training Provider to perform its obligations under the Training Agreement.
5. Except as the Association shall otherwise agree, the Recipient shall cause the PIE not to assign, amend, abrogate, waive, terminate or fail to enforce any Training Agreement, or any of their provisions.

## **I. External Control and Verification**

### **1. ILDP Financing**

- (a) The Recipient shall appoint and maintain, throughout the Project implementation period, an external technical expert to act as an independent verifier ("Independent Verifier") with experience and qualifications acceptable to the Association, pursuant to the provisions of the Procurement Regulations and in accordance with terms of reference satisfactory to the Association, for the carrying out of technical reviews of agreed results during Project implementation, particularly focused on the compliance with the verification protocols included in the ILDP Implementation Manual.
- (b) The Recipient shall cause said Independent Verifier to carry out, throughout the Project implementation period and in accordance with

terms of reference satisfactory to the Association semesterly verification exercises of ILDP Financing in accordance with the provisions of the ILDP Implementation Manual; and thereafter prepare and furnish to the Association a report of such scope and in such detail as the Association shall reasonably request prior to the payment of any proceeds of ILDP Financing.

2. SDF Training Financing

- (a) The Recipient shall cause the Project Implementing Entity to recruit and maintain, throughout the Project implementation period, an external technical expert to act as an independent verifier (“Independent Verifier”) with experience and qualifications acceptable to the Association, pursuant to the provisions of the Procurement Regulations and in accordance with terms of reference satisfactory to the Association, for the carrying out of technical reviews of agreed results during Project implementation, particularly focused on the compliance with the verification protocols included in the SDF Manual.
- (b) The Recipient shall cause said Independent Verifier to carry out, throughout the Project implementation period and in accordance with terms of reference satisfactory to the Association semesterly verification exercises of SDF Training Financing in accordance with the provisions of the SDF Manual; and thereafter prepare and furnish to the Association a report of such scope and in such detail as the Association shall reasonably request prior to the payment of any SDF Training Financing.

**J. Contingent Emergency Response**

- 1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project (“Contingent Emergency Response Part”), the Recipient, through MLVT, shall ensure that:
  - (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the

environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

- (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
  - (c) the Contingent Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
  - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed, or waived without the prior written approval by the Association.
2. The Recipient, through MLVT, shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to the Association.
3. The Recipient, through MLVT, shall ensure that:
- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
  - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.
4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

The Recipient shall, and shall cause the Project Implementing Entity to, furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester and its Respective Part of the Project.

**B. Mid-term Review Report**

The Recipient shall: (a) on or about the date thirty (30) months after the Effective Date, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to Part A above, and setting out the measures recommended to ensure the continued efficient implementation of the Project and the achievement of its objectives during the period following such date; and (b) review with the Association such mid-term report, on or about the date forty-five (45) days after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objectives, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

**Section III. Withdrawal of the Proceeds of the Financing**

**A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (Inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Parts 1.1, 2 and 4.1 of the Project	9,200,000	100%
(2) ILDP Financing under Part 1.2(c) of the Project	16,550,000	100% of ILDP Financing amount disbursed
(3) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Parts 3 and 4.2 of the Project (implemented by the Project)	2,650,000	100%

Implementing Entity)		
(4) SDF Training Financing under Part 3.2 of the Project (implemented by the Project Implementing Entity)	1,900,000	100% of SDF Training Financing amount disbursed
(5) Emergency Expenditures under Part 5 of the Project	0	100%
<b>TOTAL AMOUNT</b>	30,300,000	

**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 Signature Date; or
  - (b) for ILDP Financing under Category (2), unless and until the Recipient has adopted the ILDP Implementation Manual, in form and substance satisfactory to the Association; or
  - (c) for SDF Training Financing under Category (4), unless and until the Project Implementing Entity has adopted the SDF Manual, in form and substance satisfactory to the Association; or
  - (d) for Emergency Expenditures under Category (5), unless and until all of the following conditions have been met in respect of said expenditures:
    - (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (5); and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
    - (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.
2. The Closing Date is March 31, 2029.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (Expressed as a percentage) *</b>
On each May 1 and November 1:	
commencing November 1, 2029, to and including May 1, 2049	<b>1.65%</b>
commencing November 1, 2049, to and including May 1, 2054	<b>3.40%</b>

\* 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 3.05 (b) of the General Conditions.



## **APPENDIX**

### **Definitions**

1. “Annual Work Plan and Budget” or “AWPB” means the plan and budget which have received the Association’s no-objection in accordance with Section I.D of Schedule II to this Agreement or Section I.D of the Schedule to the Project Agreement as said plan and budget may be modified from time to time with the prior written no-objection of the Association.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “CERC” means Contingency Emergency Response Component, which will provide immediate response to an eligible crisis or emergency, as needed. In the event of an eligible crisis or emergency this component will be determined by the Recipient’s Ministry of Economy and Finance with the Association, depending on the nature of the emergency.
5. “CERC Manual” means the manual referred to in Section I.J of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association.
6. “Contingent Emergency Response” means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.
7. “Counterpart Funding” means a total amount of approximately US\$ 5,110,000 equivalent committed by the Recipient for the exclusive purpose of providing its own financing for activities under Parts 1.2 and 4 of the Project during the Project implementation period, which are part of the Annual Work Plan and Budget and consistent with the objective of the Project, as set forth in the POM and described in Section I.E of Schedule 1 to this Agreement.
8. “EESD” means employer engagement in skills development.
9. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

10. “Eligible Training Provider” means training providers selected to receive a SDF Training Financing under Part 3.2 of the Project, for the purpose of carrying out a Sub-project; as they meet the guidelines, selection and eligibility criteria set out in the SDF Manual and have entered into a Training Agreement with the PIE; and “Eligible Training Providers” means the plural thereof.
11. “Emergency Action Plan” means the plan referred to in Section I.J of Schedule 2 to this Agreement, detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
12. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.J of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.
13. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 10, 2024, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
14. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
15. “Executive Agency” or “EA” means the Recipient’s Ministry of Labour and Vocational Training, or any successor thereto.
16. “Fiscal Year” means the Recipient’s fiscal year, which commences on January 1 and closes on December 31 of each year.

17. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
18. “ILDP” means the Industry Linkage Development Plan; and “ILDPs” means the plural thereof.
19. “ILDP Beneficiary” means an eligible TVET provider meeting the eligibility criteria set out in the ILDP Implementation Manual; and “ILDP Beneficiaries” means the plural thereof.
20. “ILDP Financing” means a result-based financing grant made or proposed to be made out of the proceeds of the Financing to an ILDP Beneficiary for carrying out activities under Part 1.2(c) of the Project, and “ILDP Financings” means the plural thereof.
21. “ILDP Financing and Implementation Agreement” means an agreement between the Recipient through MLVT and an ILDP Beneficiary, referred to under Section I.G.3 of Schedule 2 to this Agreement; and “ILDP Financing and Implementation Agreements” means the plural thereof.
22. “ILDP Implementation Manual” or “ILDPIIM” means the manual, to be adopted by the Recipient, through MLVT, and referred to in Section I.G of Schedule 2 to this Agreement, containing detailed arrangements and procedures for the eligibility criteria of ILDP Beneficiaries, operating procedures of ILDP Financing, terms and conditions of ILDP Financing, performance milestones, procedures for approval of payments, verification mechanism for payment of ILDP Financing; monitoring, evaluation, and auditing arrangements for ILDP Financing.
23. “Independent Verifiers” means the third-party verifiers (individual and/or firm) to be recruited by the Recipient and the PIE in accordance with Section I.I of Schedule 2 to this Agreement; and “Independent Verifier” means the singular thereof.
24. “Industry-School Committee” or “ISC” means the industry-school committee to be established in training institutions and firms, to develop, implement, and monitor ILDP; and “Industry-School Committees” or “ISCs” means the plural thereof.
25. “IT” means information technology.
26. “Ministry of Economy and Finance” means the Recipient’s Ministry in charge of finance, and any successor thereto.
27. “Ministry of Labour and Vocational Training” or “MLVT” means the Recipient’s Ministry of Labour and Vocational Training, and any successor thereto.

28. “National Employment Agency” or “NEA” means the Recipient’s National Employment Agency established in accordance with the sub-decree No. 67 OrNkr.BK on the Establishment and Functioning of the National Employment Agency dated April 27, 2009 (as amended), in charge of improving the quality and effective delivery of labor market information services by providing job seekers, employees, employers, and skill training providers the opportunities to exchange information with one another, and any successor thereto.
29. “Operating Costs” means the reasonable costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), transportation, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, contractual support staff and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.
30. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
31. “Project Agreement” means the agreement to be entered into between SDF and the Association, for purposes of implementing Part 3 of the Project.
32. “Project Implementing Entity” or “PIE” means the Skills Development Fund, responsible for the implementation of Parts 3 and 4.2 of the Project in accordance with Section I.A.5 of Schedule 2 to this Agreement.
33. “Project Implementing Entity’s Legislation” means the Recipient’s sub-decree No. 97/Ank/Bk on the Establishment of the Skills Development Fund dated May 18, 2023, as amended to the date of this Agreement, according to which SDF has been established and is operating.
34. “Project Management Unit” means the unit established within MLVT, in accordance with the *Prakas* No. 070/24 dated March 19, 2024, and to be maintained in accordance with the provisions of Section I.A.4 of Schedule 2 to this Agreement, and any successor thereto.
35. “Project Manuals” means the POM, the ILDP Implementation Manual, and the SDF Manual together, referred to in Section I.C of Schedule 2 to this Agreement.

36. “Project Operations Manual” and/or “POM” means the manual, dated March 29, 2024, adopted by the Recipient, through MLVT, for the implementation of the Project, and referred to in Section I.C.1 of Schedule 2 to this Agreement, containing detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) disbursement and financial management; (c) procurement; (d) environmental and social risk management implementation measures; (e) monitoring and evaluation, reporting and communication; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; as said manual may be modified from time to time with the prior written no-objection of the Association, and such term includes any schedules to such manual.
37. “Project Steering Committee” means the steering committee to be established by the Recipient in accordance with the provisions of Section I.A.2 of Schedule 2 to this Agreement.
38. “Respective Part of the Project” means: (a) with respect to the Recipient, the activities under Parts 1, 2, 4.1 and 5 of the Project (“Recipient’s Respective Part”); and (b) with respect to the Project Implementing Entity, the activities under Parts 3 and 4.2 of the Project (“SDF’s Respective Part”).
39. “SDF Manual” means the manual to be prepared and adopted by the PIE, acceptable to the Association and referred to in section I.C.2 of Schedule 2 to this Agreement.
40. “SDF-PIU” means the unit to be established by the Project Implementing Entity and maintained in accordance with the provisions of Section I.A.5(c) of Schedule 2 to this Agreement and Section I.A of the Schedule to the Project Agreement, and any successor thereto.
41. “SDF Training Financing” means a matching grant provided or proposed to be made by the Project Implementing Entity to an Eligible Training Provider under a Training Agreement for the purpose of implementing a Sub-project under Part 3.2 of the Project (as further described in Section I.H of Schedule 2 to this Agreement and in the SDF Manual).
42. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.
43. “Skills Development Fund” or “SDF” means Skills Development Fund established in accordance with the sub-decree No. 97/Ank/Bk on the Establishment of the Skills Development Fund dated May 18, 2023, and any successor thereto.
44. “SSC” means Sector Skills Council; and “SSCs” means the plural thereof.

45. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to SDF for implementation of SDF’s Respective Part of the Project.
46. “Sub-project” means the eligible skills training proposals in priority sectors covering at least 2,500 individuals in the current and upcoming workforce, to be carried out by Eligible Training Providers and financed through SDF Training Financing under Part 3.2 of the Project, in accordance with criteria specified in the SDF Manual; and “Sub-projects” means the plural thereof.
47. “Technical Advisory Group” means technical advisory group to be maintained in accordance with the provisions of Section I.A.3 of Schedule 2 to this Agreement.
48. “Training” means the reasonable costs incurred by the Recipient and required for the participation of personnel involved in training activities, workshops and study tours under the Project, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding fees of consultants and salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient’s civil service.
49. “Training Agreement” means the agreement to be entered into between the PIE and the Eligible Training Providers for the implementation of a Sub-project and the provision of a SDF Training Financing under Part 3.2 of the Project, as referred to in Section I.H of Schedule 2 to this Agreement and further detailed in the SDF Manual; and “Training Agreements” means the plural thereof.
50. “TVET” means technical and vocational education and training.