
**CREDIT NUMBER 7572-KH
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Financing Agreement

(Second Cambodia Growth and Resilience Development Policy Financing)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between KINGDOM OF CAMBODIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Recipient has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore 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 credits, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts:
 - (a) an amount equivalent to twenty-three million five hundred thousand Special Drawing Rights (SDR 23,500,000) (“Credit (A)”); and
 - (b) the amount of two hundred forty-four million Dollars (USD 244,000,000), as such amount may be converted from time to time through a Currency Conversion (“Credit (B)”).
- 2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.03. The Service Charge is applicable only to Credit (A) and is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.04. The Interest Charge is applicable only to Credit (A) and is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.

- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Financing shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is Dollar.
- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:
 - (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of, namely, that the Association is satisfied with the progress achieved by the Recipient in carrying out

the Program and with the adequacy of the Recipient's macroeconomic policy framework.

- 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 at the time 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

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:

Telex:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

KINGDOM OF CAMBODIA

By



Authorized Representative
Name: H.E. Dr. Aun Pornmoniroth
Title: Minister of Economy and Finance
Date: 10-Jul-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Mariam J. Sherman

Authorized Representative
Name: Mariam J. Sherman
Title: Country Director
Date: 01-Jul-2024

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

A. The actions taken by the Recipient under the Program include the following:

Pillar 1: Boosting growth through a more competitive environment for the private sector

1. To reduce registration times and facilitate the efficient entry of firms, the Recipient, through its MEF and MISTI, has issued an inter-ministerial *Prakas*¹ to modernize the tracking and management approval systems, and to streamline the classification and certification processes of SMEs and handicrafts.
2. To promote access to credit for SMEs, the Recipient: (a) through the Governor of the National Bank of Cambodia, has issued a *Prakas*² to assign a zero risk weight to the guaranteed portion of loans; and (b) through its MEF and the CGCC, has established Portfolio Guarantee Schemes for SMEs, to eliminate the need for case-by-case reviews of individual guarantees.

Pillar 2: Strengthening fiscal resilience.

3. To control fiscal costs and reduce uncertainty, the Recipient, through its MEF, has issued a Decision³ to automatically index civil service pensions to inflation.
4. To strengthen the management of PPP related fiscal risks, the Recipient, through its MEF has issued a *Prakas*⁴ establishing new guidelines for fiscal management of PPP projects, that sets out an institutional and regulatory framework to assess, approve, budget and manage both fiscal commitments as well as contingent liabilities associated with PPP projects.

¹ Inter-ministerial Prakas No. 836, dated November 14, 2023.

² Prakas No. B7-023-338, dated June 23, 2023, on *the Credit Risk for Capital Adequacy Ratios in Deposit-Taking Banks and Financial Institutions*.

³ Decision No. 086-MEF of November 30, 2023, on *the Revision of Benefit of the Social Security Pensions Fund for Public Officials*.

⁴ Prakas No. 641 MEF-BK-GDPPP dated October 2, 2023, on *Promulgating the Guidelines on Fiscal Management on PPP Projects to support the implementation of the Sub-decree No. 174 ANKr.BK dated august 31, 2022*.

5. To support the regular issuance of government bonds over the longer term, the Recipient, through its Prime Minister and its MEF, has adopted a Policy Framework on the Development of Government Securities⁵ that establishes the selection of government securities instruments for primary market operations, issuance methods and channels, and the use of proceeds from government bond issuance.

Pillar 3: Enhancing social and environmental resilience.

6. To enhance resilience to climate-related shocks through a more efficient and inclusive social protection system and to facilitate financial and fiscal resilience, the Recipient: (a) through its Prime Minister and its MEF (as the Chair of the NSPC), has approved the Shock Responsive Social Protection Policy⁶, which provides a set of tailored policy options for a rapid scaling-up of social assistance in response to shocks, including natural disasters; and (b) through its MEF, has adopted the Disaster Risk Financing Policy⁷ that establishes new disaster risk financing instruments to improve fiscal and financial resilience.
7. To strengthen participation in carbon markets for increased environmental sustainability, the Recipient, through its Council of Ministers, has approved and endorsed the Operations Manual for the Implementation of Article 6 of the Paris Agreement⁸ to establish the criteria and regulatory framework for carbon trading under Article 6.
8. To promote the sustainable use of energy, the Recipient, through its Prime Minister, has approved a National Energy Efficiency Policy (“NEEP”) that sets targets and actions to improve energy efficiency; and, to implement it, has issued an accompanying Sub-decree⁹ on management and improvement of energy efficiency of electrical appliances.
9. To promote financial inclusion among social beneficiaries, the Recipient through its MOSVY has issued a *Prakas*¹⁰ that allows recipients of social

⁵ “Policy Framework on the Development of Government Securities 2023 – 2028” adopted by the Royal Government (Prime Minister and MEF) on November 2, 2023.

⁶ “Guidelines on Shock Responsive Social Protection Framework” issued by the Royal Government (Prime Minister and MEF) on September 20, 2023.

⁷ “Disaster Risk Financing Strategy 2023-2028” issued by the MEF on January 20, 2024.

⁸ Approval letter No. 1380 dated December 14, 2023.

⁹ Inter-ministerial Sub-decree No. 254 ANKr.BK dated August 11, 2023, on *Management and Promotion of Appliance Energy Efficiency*.

¹⁰ Prakas No. 56- MOSAVY dated December 29, 2023, on *Providing Options for Opening General Purpose Accounts with Banks, Microfinance Institutions or Licensed Financial Institutions for Beneficiaries under the National Social Assistance Programs of the Royal Government*.

benefits to receive their benefits in a general-purpose account at any eligible bank or payment service institutions of their choice.

Section II. Availability of Financing Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of Credit (A) Allocated (Expressed in SDR)	Amount of Credit (B) Allocated (Expressed in USD)
(1) Single Withdrawal Tranche	23,500,000	244,000,000
TOTAL AMOUNT	23,500,000	244,000,000

- C. Withdrawal Tranche Release Conditions.**
- No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient’s macroeconomic policy framework.
- D. Deposit of Financing Amounts.**
- Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain a dedicated account in Dollars (“Foreign Currency Dedicated Account”) with the National Bank of Cambodia; and
 - all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account.
 - The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received

into Foreign Currency Dedicated Account; (b) the details of the account to which the Cambodia Riel equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management systems; and (d) the statement of receipts and disbursement of the Foreign Currency Dedicated Account.

- E. Audit.** Upon the Association's request, the Recipient shall:
1. have the Foreign Currency Dedicated Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 2. furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association; and
 3. furnish to the Association such other information concerning the Foreign Currency Dedicated Account and their audit as the Association shall reasonably request.
- F. Closing Date.** The Closing Date is June 30, 2025.

SCHEDULE 2

Repayment Schedules

I. Repayment of Credit (A)

Date Payment Due	Principal Amount of Credit (A) repayable (Expressed as a percentage) *
On each January 15 and July 15:	
Commencing July 15, 2029, to and including January 15, 2049	1.65%
commencing July 15, 2049, to and including January 15, 2054	3.40%

* The percentages represent the percentage of the principal amount of Credit (A) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

II. Repayment of Credit (B)

Date Payment Due	Principal Amount of the Credit (B) repayable (Expressed as a percentage) *
On each January 15 and July 15:	
commencing July 15, 2030, to and including July 15, 2035	8.33334%
on January 15, 2036	8.33326%

* The percentages represent the percentage of the principal amount of the Credit (B) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. “Basis Adjustment to the Interest Charge” means the Association’s standard basis adjustment to the Interest Charge for credits in the currency of denomination of Credit (A), in effect at 12:01 a.m. Washington, D.C. time, on the date on which Credit (A) is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.
2. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of Credit (A), in effect at 12:01 a.m. Washington, D.C. time, on the date on which Credit (A) is approved by the Executive Directors of the Association, and expressed as a percentage per annum.
3. “CGCC” means the Credit Guarantee Corporation of Cambodia established by the Sub-decree No. 140 dated September 1, 2020, whose mission is to provide credit guarantees to lenders for risk sharing and improving financial inclusion.
4. “Credit (A)” means the credit in the amount referenced in Section 2.01(a) of this Agreement and the Credit for purposes of paragraph 24 of the General Conditions.
5. “Credit (B)” means the credit in the amount referenced in Section 2.01(b) of this Agreement and the Credit for purposes of paragraph 24 the General Conditions.
6. “Disaster Risk Financing Policy” means the Disaster Risk Financing Strategy 2023-2028.
7. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
8. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (Last revised on July 15, 2023).
9. “MEF” means the Recipient’s Ministry of Economy and Finance, or any successor thereto.
10. “MISTI” means the Recipient’s Ministry of Industry, Science, Technology and Innovation, or any successor thereto.
11. “MME” means the Recipient’s Ministry of Mines and Energy, or any successor thereto.

12. “MOJ” means the Recipient’s Ministry of Justice, or any successor thereto.
13. “MOSVY” means the Recipient’s Ministry of Social Affairs, Veterans and Youth Rehabilitation, or any successor thereto.
14. “National Bank of Cambodia” means the Recipient’s central bank, established under the Law on the Organization and the Function of the National Bank of Cambodia dated January 26, 1996.
15. “National Energy Efficiency Policy” or “NEEP” means the policy adopted by the Recipient’s Prime Minister through a Decision No. 78-SSR dated November 22, 2022, on the *Promulgation of the National Energy Efficiency Policy 2022-2030*.
16. “NSPC” means the Recipient’s National Social Protection Council established under the Royal Decree on *The Establishment of the National Council for Sustainable Development*, dated May 19, 2015.
17. “Operation Manual for the Implementation of Article 6 of the Paris Agreement on Climate Change in Cambodia” means the Operations Manual approved on December 14, 2023.
18. “Policy Framework on the Development of Government Securities” means the “Policy Framework on the Development of Government Securities 2023 – 2028”, adopted by the Royal Government of Cambodia on November 2, 2023.
19. “Portfolio Guarantee Schemes” means the new approach approved by the Recipient under which portfolio guarantee scheme agreements are signed with MSMEs to avoid case-by-case reviews previously required for individual guarantees.
20. “PPPs” means public-private partnerships.
21. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated April 26, 2024 from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
22. “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.

23. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
24. “Shock Responsive Social Protection Framework” means the Recipient’s Guidelines on the Shock Responsive Social Protection Framework, issued by the Royal Government of Cambodia on September 20, 2023.
25. “SMEs” means small and medium enterprises.