

CONFORMED COPY

FPCR Core MDTF GRANT NUMBER TF094876

Food Price Crisis Response Core Multi-donor Trust Fund Grant Agreement

(Smallholder Agriculture and Social Protection Support Operation)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as trustee of the Food Price Crisis Response Core Multi-donor Trust Fund

Dated August 4, 2009

**FOOD PRICE CRISIS RESPONSE CORE MULTI-DONOR
TRUST FUND GRANT AGREEMENT**

AGREEMENT dated August 4, 2009, entered into between KINGDOM OF CAMBODIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“World Bank”), acting as trustee of the Food Price Crisis Response Core Multi-donor Trust Fund for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The World Bank has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule to this Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the World Bank therefore hereby agree as follows:

The Recipient and the World Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions and this Agreement.

**Article II
The Program**

- 2.01. The Recipient declares its commitment to the Program and its implementation. To this end:
 - (a) the Recipient and the World Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the World Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the World Bank shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the World Bank on any proposed action to be taken after the disbursement of the Grant which 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 III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to eight million United States Dollars (\$8,000,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section II of the Schedule to this Agreement.

**Article IV
Recipient’s Representative; Addresses**

- 4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.
- 4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Economy and Finance
Street 92, Sang Kat Wat Phnom
Phnom Penh
Kingdom of Cambodia

Facsimile:

855-23-427798
855-23-430241

- 4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

1-202-477-6391

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

KINGDOM OF CAMBODIA

By: /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as trustee of the Food Price Crisis Response Core Multi-donor
Trust Fund

By: /s/ Annette Dixon

Authorized Representative

SCHEDULE

Program Actions; Availability of Grant Proceeds

Section I. Actions under the Program

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

Acceleration of Smallholder Rice Supply Response

1. (a) Pursuant to Circular No. 02 SR, dated May 27, 2009, the Recipient has established a price oversight mechanism for monitoring fertilizer prices that includes random sampling of price throughout the supply chain, as well as improved farmer information; and
 - (b) Pursuant to Directive No. 2462, dated May 19, 2009, the Recipient has expanded the monitoring of fertilizer quality, including random sampling for quality tests throughout the supply chain, as well as improved farmer information and labeling in Khmer.
2. Pursuant to Directive No. 2462, dated May 19, 2009, the Recipient is accelerating the registration of farmer organizations based on an additional budget allocated for this purpose.
3. The Recipient, on April 9, 2008, lifted its ban on rice exports through Inter-Ministerial Prakas No. 105. MOC/SM2008 on Authorization of Exports of all Kinds of Dry Season Rice Grown and Harvested in Geographical Areas of Prey Veng, Kandal and Takeo Provinces.

Expansion of Safety Net Support and Improvement of Governance with Better Targeting

4. The Recipient signed on April 24, 2008 a Memorandum of Understanding with the World Food Programme for the provision during three (3) years of two thousand (2000) metric tons per year of rice for, *inter alia*, school feeding and food for work programs.
5. The Recipient executed on October 9, 2008, a financing agreement with the Asian Development Bank and initiated the implementation of emergency safety net assistance in two hundred (200) communes through a one-time rice distribution (from October 29 to November 5, 2008) and a two (2) year food and cash for work program for 2009 and 2010.
6. Pursuant to Prakas No. 474 MEF/PRK of May 21, 2009, the Recipient expanded the roles and responsibilities of the National Food Security Task Force to ensure and monitor the application of the Identification of Poor Households Targeting System in the distribution of food and agriculture materials to poor households and of cash and food for work program under the purview of said Task Force.

Strengthening the Oversight of and Learning from Crisis Response Actions

7. Pursuant to Prakas No. 474 MEF/PRK of May 21, 2009, the Recipient established a monitoring and public reporting mechanism on the implementation of activities under the overview of the National Food Security Task Force: (a) said monitoring mechanism and the resulting quarterly reports to cover, inter alia, distribution of fertilizer and seed to smallholders, registration of farmer organizations, measures to improve rice exports, safety nets for food vulnerable households, and application of the Identification of Poor Households Targeting System; and (b) said quarterly reports to be publically disseminated, including through the Ministry of Economy and Finance website and through technical working groups for agriculture, water, food security and nutrition.

Section II. Availability of Grant Proceeds

- A. General.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of this Section and such additional instructions as the World Bank may specify by notice to the Recipient.
- B. Allocation of Grant Amounts.** The Grant shall be withdrawn in a single tranche. The allocation of the amounts of the Grant to this end is set out in the table below:

Allocations	Amount of the Grant Allocated (expressed in US\$)
Single Tranche	\$8,000,000
TOTAL AMOUNT	\$8,000,000

C. Deposits of Grant Amounts.

1. Except as the World Bank may otherwise agree:
- (a) all withdrawals from the Grant Account shall be deposited by the World Bank into an account designated by the Recipient and acceptable to the World Bank; and
 - (b) the Recipient shall ensure that upon each deposit of an amount of the Grant into this account, an equivalent amount is accounted for in the Recipient's National Treasury, in a manner acceptable to the World Bank.
2. For purposes of paragraph 1(a) of this Section C, prior to furnishing to the World Bank the first request for withdrawal from the Grant Account, the Recipient shall open and, thereafter maintain, a deposit account in United States Dollars at the National Bank of Cambodia, on terms and conditions satisfactory and acceptable to the World Bank.
3. The Recipient shall confirm to the World Bank:
- (a) the name and number of the designated deposit account mentioned in paragraphs 1(a) and 2 above;
 - (b) the foreign currency amount received in the designated deposit account referred to above;

- (c) the foreign currency amounts withdrawn from the said designated deposit account at the National Bank of Cambodia, and the equivalent amounts credited to the National Treasury Single Account to finance budgeted expenditures; and
- (d) the date and name, and/or number of the National Treasury account to finance budgeted expenditures to which the amounts equivalent to the amounts withdrawn from the Grant Account have been credited.

D. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

E. Audit.

1. Upon the Association's request, the Recipient shall:

- (a) have the Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
- (b) furnish to the Association as soon as available, but in any case not later than of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and
- (c) furnish to the Association such other information concerning the Deposit Account and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is May 31, 2010.

APPENDIX

Section I. Definitions

1. “ADB” means the Asian Development Bank established in 1966 with its headquarters in Manila or any successor thereto.
2. “Excluded Expenditure” means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or sub-groups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Grant proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.
3. “Identification of Poor Households Targeting System” means the Government targeting program, implemented by the Ministry of Planning, that uses a set of standardized national procedures to identify poor households throughout Cambodia.
 4. “Khmer” means the official language of the Kingdom of Cambodia.
 5. “Minister of Economy and Finance” means the Recipient’s Minister of Economy and Finance and any successor thereto.
 6. “National Task Force” means the task force established by Prakas No. 617 SHV.PRK on Establishment of National Food Security Task Force for Implementation of an Emergency Food Assistance Project on August 18, 2008 which responsibilities include, *inter alia* the provision of: (a) guidelines and data to development partners; (b) advice on policy during project implementation; and (c) monitoring of the project implementation.
 7. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated May 22, 2009 from the Recipient to the World Bank declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the World Bank in support of the Program during its execution.
 8. “Single Tranche” means the amount of the Financing allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of the Schedule to this Agreement.
 9. “Standard Conditions” means the “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated July 1, 2008, with the modifications set forth in Section II of this Appendix.
 10. “WFP” means the World Food Program.

Section II. Modifications to the Standard Conditions

The modifications to the “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated July 1, 2008 are as follows:

1. Sections 2.01 (*Project Execution Generally*), and 2.07 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.04. *Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Grant until two years after the Closing Date. The Recipient shall enable the World Bank’s representatives to examine such records.”

4. Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

Section 2.05. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the World Bank not later than six months after the Closing Date, a report of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.

5. The last sentence of paragraph (c) of Section 3.04 (relating to withdrawals) is deleted in its entirety.
6. Sections 3.05 (*Designated Accounts*) and 3.06 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly.
7. The following terms and definitions set forth in the Appendix to the Standard Conditions are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure” means any use to which the Grant is put in support of the Program, other than to finance expenditures excluded pursuant to the Grant Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.
- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Grant Agreement in support of which the Grant is made.” All references to “Project” throughout these Standard Conditions are deemed to be references to “Program”.