

CONFORMED COPY

CREDIT NUMBER 3678 KH

Development Credit Agreement

(Economic and Public Sector Capacity Building Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 17, 2002

CREDIT NUMBER 3678 KH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 17, 2002, between KINGDOM OF CAMBODIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of

the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions) constitute an integral part of this Agreement.

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

(a) “Advisory Board” means the advisory board established pursuant to the provisions of paragraph 1 of Schedule 4 to this Agreement.

(b) “CAR” means the Council for Administrative Reform established by the Borrower pursuant to Sub-Decree No. 51, dated June 10, 1999, and any successor thereto.

(c) “Distance Learning Center” and the acronym “DLC” mean a GDLN facility to be established under the Project in the Borrower’s Royal School of Administration.

(d) “EFI” means the Economics and Finance Institute established by the Borrower pursuant to Decision No. 04 ANK.BK, dated January 20, 2000, and any successor thereto.

(e) "Financial Management Manual" means the manual referred to in paragraph 6(b) of Schedule 4 to this Agreement.

(f) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(g) “GDLN” means the Global Development Learning Network, a fully interactive and multichannel network with a mandate to serve the developing world, and established through a partnership of public, private and non-governmental organizations.

(h) “GDLN Services” means the unit within the World Bank Institute responsible for managing and administering GDLN.

(i) “HRMIS” means a human resources management information system.

(j) “Logistics Support Unit” means the unit established in the Secretariat General of CAR pursuant to the provisions of paragraph 4 of Schedule 4 to this Agreement.

(k) “MEF” means the Borrower’s Ministry of Economy and Finance and any successor thereto.

(l) “NBC” means the National Bank of Cambodia, the Borrower’s central bank and any successor thereto.

(m) “Project Account” means the Project account referred to in Section 3.04 of this Agreement.

(n) “Project Coordinator” means the coordinator within the Secretariat General of CAR appointed pursuant to the provisions of paragraph 2 of Schedule 4 to this Agreement.

(o) "Project Implementation Manual" and the acronym “PIM” mean the manual to assist the Project staff in the implementation of the Project through the description of, among others, procurement procedures and standard bidding documentation, reporting requirements, financial management procedures including audit procedures, the Project Performance Indicators and other administrative and organizational arrangements, as shall have been agreed with the Association for purposes of the Project, as the same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Implementation Manual.

(p) “Project Manager” means the manager within the Secretariat General of CAR appointed pursuant to the provisions of paragraph 3 of Schedule 4 to this Agreement.

(q) “RSA” means the Royal School of Administration established by the Borrower pursuant to Decision No. NS-RKT-0495-040, dated April 21, 1995, and any successor thereto.

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

(s) “Training Coordination Office” and the acronym “TCO” mean the office established pursuant to the provisions of paragraph 5 of Schedule 4 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to four million four hundred thousand Special Drawing Rights (SDR 4,400,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in its Central Bank or in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including in the case of a commercial bank, appropriate protection against set-off, seizure, or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2012 and ending January 15, 2042. Each installment to and including the installment payable on January 15, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through CAR with due diligence and efficiency and in conformity with appropriate administrative, financial, educational and engineering practices and sound environmental standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.04. Without limitation upon its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open in the National Bank of Cambodia, on terms and conditions satisfactory to the Association, a Project Account in Dollars, to be operated and maintained by the Logistics Support Unit, into which it shall deposit from time to time its local counterpart contribution to the cost of the Project;

(b) (i) make an initial deposit of the equivalent of \$25,000 into the Project Account; and

(ii) thereafter, deposit into the Project Account the balance of the Borrower's counterpart contribution to the cost of the Project, in consecutive quarterly installments of \$16,000 each, deposited quarterly in advance, beginning on November 1, 2002, or in such other installments as may be agreed from time to time with the Association;

and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have its records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 12 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Borrower has made an initial deposit of the equivalent of \$25,000 into the Project Account pursuant to the provisions of Section 3.04(b)(i) of this Agreement;

(b) the Borrower has established the Advisory Board pursuant to the provisions of paragraph 1 of Schedule 4 to this Agreement;

(c) the Borrower has appointed the Project Coordinator pursuant to the provisions of paragraph 2 of Schedule 4 to this Agreement;

(d) the Borrower has appointed the Project Manager pursuant to the provisions of paragraph 3 of Schedule 4 to this Agreement;

(e) the Borrower has appointed for the Logistics Support Unit, a financial management officer, a Project accountant, two assistant accountants, a procurement officer, and in order to assist the Logistics Support Unit in the initial stage of the Project, the Borrower has selected a procurement advisor, acceptable to the Association, in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement;

(f) the Borrower has established the Training Coordination Office within the Secretariat General of CAR, and either (i) a training coordinator has been employed, or (ii) a training coordinator has been appointed and a training advisor has been employed, pursuant to the provisions of paragraph 5 of Schedule 4 to this Agreement;

(g) the Borrower has adopted the Project Implementation Manual and the Financial Management Manual, satisfactory to the Association, in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement;

(h) the Borrower has engaged consultants' services to assist the Borrower in the carrying out of paragraphs 6(b) and 7 of Schedule 4 to this Agreement;

(i) the Borrower has (i) established a computerized financial management system for the Logistics Support Unit, including installation of a specialized financial management software acceptable to the Association; and (ii) initiated financial management, disbursement and procurement training for the staff of the Logistics Support Unit; all in a manner satisfactory to the Association, pursuant to the provisions of paragraph 7 of Schedule 4 to this Agreement;

(j) the Borrower has entered into a Memorandum of Understanding with the GDLN Services pursuant to the provisions of paragraph 8 of Schedule 4 to this Agreement; and

(k) a Memorandum of Understanding among CAR, the Economics and Finance Institute and the Royal School of Administration has been entered into, pursuant to the provisions of paragraph 9 of Schedule 4 to this Agreement.

Section 5.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister in charge of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Facsimile:

855 23 427798

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF CAMBODIA

By /s/ Roland Eng

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ian C. Porter

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works	170,000	90%
(2) Goods	1,140,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' Services	2,100,000	95%
(4) Training and Workshops	780,000	100%
(5) Incremental Operating Costs:		
(a) Distance Learning Center	40,000	80% of expenditures incurred on or before April 30, 2004, 50% of expenditures incurred on or before

		April 30, 2005, and 20% of expenditures incurred thereafter.
(b) Other	80,000	85% of expenditures incurred on or before April 30, 2003, 75% of expenditures incurred on or before April 30, 2004, 65% of expenditures incurred on or before April 30, 2005, and 65% of expenditures incurred thereafter.
(6) Unallocated	90,000	
TOTAL	<u>4,400,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “training and workshops” means reasonable expenditures incurred by the Borrower for training and workshops, including office supplies, training materials, costs for translation of training materials, consumables, travel costs including per diems for provincial government officials who travel to Phnom Penh for training and for local trainers who travel to selected provinces or to Phnom Penh to provide training, and costs of renting training facilities, but excluding fees paid to trainers (which expenditures would not have been incurred absent the Project); and

(d) the term “incremental operating costs” means reasonable expenditures incurred by the Borrower on account of: (i) the operation of the Distance Learning Center, including the insurance costs of the Distance Learning Center; and (ii) Project administration, management and monitoring, including office supplies, utilities costs, telecommunications expenses, vehicle operation and maintenance, and bank charges (which expenditures would not have been incurred absent the Project), but excluding salaries or salary supplements of officials of the Borrower’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in

respect of payments:

(a) made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 24,000 may be made on account of payments made for expenditures before that date but after June 1, 2002; and

(b) made for expenditures under Category (2) above unless and until the Borrower has employed a procurement advisor acceptable to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods (except for goods procured pursuant to Part B (3) of Schedule 3 to this Agreement) under contracts costing less than \$25,000 equivalent each; (b) consultants' services under contracts with: (i) firms costing less than \$100,000 equivalent each; and (ii) individuals costing less than \$50,000 equivalent each; (c) training and workshops; and (d) incremental operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in strengthening the capacity of its civil service to deliver public services more effectively.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Project Management

1. Strengthening the capacity of the Training Coordination Office through provision of technical assistance, related equipment and furniture.
2. Strengthening the capacity of the Logistic Support Unit through: (a) the provision of training, technical assistance, and related office equipment; and (b) the employment of independent auditors to conduct audits under the Project.

Part B: Training Program Development and Implementation

1. Development of curricula of the training programs for CAR in the following subjects: leadership and management, policy development, public financial management, human resource management, governance and public administration, and poverty reduction.
2. Provision of: (a) advanced executive training to selected high-level government officials to improve their leadership and management skills; (b) management development training to

selected government officials with management responsibilities to develop their management skills; and (c) professional development training to selected young professionals from CAR and line ministries to develop and upgrade their policy analysis and formulation skills.

3. Provision of: (a) deconcentration related training; and (b) financial, budget management and procurement training to selected provincial government officials.

4. Carrying out of: (a) an evaluation of the training programs set forth above; and (b) an adjustment of such programs in accordance with capacity building needs.

Part C: Institutional Development

1. Provision of technical assistance, training and related equipment to the Human Resources Development Unit of CAR for the planning and monitoring of the human resources development activities, including the adoption of HRMIS.

2. Strengthening the Economic and Financial Policy Planning and Monitoring Unit of MEF through provision of technical assistance and staff training in the area of budget management.

3. Renovating, furnishing and equipping the Training Coordination Office and 2 (two) classrooms at RSA for the use of the training programs.

4. Strengthening the capacity of RSA and EFI through: (a) the provision of training to the local trainers; (b) the development of training materials in the Khmer language; (c) the provision of interpretation services; and (d) the provision of library books and reference materials and installation of required information technology systems.

Part D: Establishment and Operation of the Distance Learning Center

1. Establishment of the Distance Learning Center by upgrading and expanding the Administrative Center at the Royal School of Administration and provision of related equipment and furniture therefor.

2. Provision of technical assistance to the Distance Learning Center.

3. Provision of training in information technology to the staff of the Distance Learning Center.

* * *

The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and (b) the provisions of the following Parts of this Section I.

Part B: Procurement Procedures

1. National Competitive Bidding

Works estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$247,000 equivalent; and goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$233,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and the provisions of the Annex to this Schedule.

2. National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$133,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Books and reference materials for the library collection which are of a proprietary nature and must be purchased from the original publisher, costing \$43,000 equivalent or less in the aggregate; the local connectivity equipment, the global connectivity equipment and logistics for integration, the pedagogical tools and their associated services required for the Distance Learning Center to be supplied by the GDLN systems integrator, costing \$1,028,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to: (i) each contract for goods and works procured pursuant to the provisions of paragraph 1 of Part B of this Section; and (ii) each contract for goods procured pursuant to the provisions of paragraph 3 of Part B of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first contract for goods to be procured each year through national shopping procedures, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

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

the provisions of paragraphs (i) and (j) of the Annex to this Schedule.

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services under Part A(2), Part B(4), and Part C(4)(b) of the Project, estimated to cost less than \$100,000 equivalent per contract, up to aggregate amount not to exceed \$165,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to aggregate amount not to exceed \$1,363,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall

apply.

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

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

ANNEX TO SCHEDULE 3

Additional Procurement and Consultants' Services Provisions

The following provisions shall apply in respect of: (i) contracts for goods and works financed under the Project and procured according to national competitive bidding procedures; and (ii) contracts for consultants' services financed under the Project.

Contracts for goods and works

(a) Foreign suppliers and contractors from eligible countries shall, if they are interested, be allowed to participate without being required to associate or form joint ventures with local suppliers or contractors.

(b) Prior registration shall not be a requirement to participate in bidding procedures; but it may be required in the case of a selected bidder as a condition of signing a contract.

(c) Pre-qualification of contractors shall be required for competitive bidding in the case of large or complex works; in all other cases, pre-qualification shall only be required in justifiable cases and with the prior approval of the Association.

(d) When pre-qualification is required, the evaluation methodology shall be based on pass/fail criteria relating to the firm's experience, technical, financial, physical and human resource capacities.

(e) A public bid opening ceremony shall take place immediately after the deadline for presentation of bids, and without any intervening time lag, and, during such public bid opening ceremony, bids shall be opened and read out in public, and in the presence of bidders' representatives who wish to attend.

(f) In all cases, the award shall be made to the lowest evaluated responsive and complying bid and, except with the prior approval of the Association, no negotiations shall take place with any bidder prior to the award, even when all bids exceed the cost estimates.

(g) In the case of all contracts with a duration in excess of 18 months, bidding documents shall allow for price adjustment formulae.

(h) Bidders, who disagree with arithmetic corrections made by the evaluating committee during the evaluation stage, shall not be allowed to withdraw their bids without forfeiting their bid security.

Contracts for Consultants' Services

(i) If negotiations with the selected consulting firm ranked first do not result in a contract, the Borrower shall terminate negotiations with that firm and immediately proceed to negotiate a contract with the second ranked firm.

(j) Subject to prior approval of the Association, price may be used as a factor in the evaluation of consultancy proposals.

SCHEDULE 4

Implementation Program

1. The Borrower shall establish and, thereafter throughout the period of implementation of the Project, maintain an Advisory Board, chaired by the Secretary General of CAR including representatives of the Borrower's Council of Ministers, the Council for Administrative Reform, the Ministry of Economy and Finance, the Ministry of Planning, the Ministry of Social Affairs, Labor, Vocational Training, and Youth Rehabilitation, the Civil Service Secretariat of State, the Ministry of Education, Youth and Sports, the Royal School of Administration, the Economics and Finance Institute, and the Royal Academy of Cambodia. The Advisory Board shall be assigned with such functions and responsibilities, satisfactory to the Association, as shall be required to provide advice to the Project Coordinator on the implementation of the Project, including without limitation, the training programs, participation of civil servants, and the overall Project progress.

2. The Borrower shall appoint a Project Coordinator within the Secretariat General of CAR, supported by the staff of the Secretariat General of CAR in adequate numbers and assigned with such responsibilities as shall be necessary to provide overall supervision and coordination of the Project, to monitor and evaluate the Project activities, and to ensure satisfactory implementation and management of the Project on behalf of CAR.

3. The Borrower shall appoint or employ a Project Manager within the Secretariat General of CAR, supported by the staff of the Human Resources Development Unit of CAR in adequate

numbers and assigned with such responsibilities as shall be necessary to be responsible for day-to-day management of the Project.

4. The Borrower shall maintain the Logistics Support Unit within the Secretariat General of CAR, throughout the period of implementation of the Project, staffed with competent personnel in sufficient numbers, including without limitation, a short-term procurement advisor, a financial management officer, a Project accountant, two assistant accountants, and a procurement officer, with such functions, responsibilities and funds, satisfactory to the Association, as shall be required to ensure satisfactory processes are followed in all accounting, procurement and disbursement matters and to ensure that disbursements and financial reports are made on a timely basis.

5. The Borrower shall establish and thereafter throughout the period of implementation of the Project, maintain a Training Coordination Office within the Secretariat General of CAR, headed by a qualified and experienced officer and with competent personnel in sufficient numbers, including without limitation, a training coordinator, and other suitably qualified and experienced staff, with such functions, responsibilities and funds, satisfactory to the Association, as shall be required to be responsible for satisfactory implementation of all training activities, including without limitation, the design of the curriculum and training programs, delivery of the training programs, and liaison with relevant training institutions.

6. The Borrower shall:

(a) adopt, and thereafter, implement a Project Implementation Manual, satisfactory to the Association, which shall include the description of inter alia: (i) implementation arrangements; (ii) the procurement procedures set forth in Schedule 3 to this Agreement and standard procurement documentation; (iii) the project performance indicators set forth in Schedule 6 to this Agreement; and (iv) monitoring and reporting procedures for the Project;

(b) adopt, and thereafter, implement a Financial Management Manual, satisfactory to the Association, which shall include the description of inter alia: (i) the accounting, including flow of funds among the Logistics Support Unit, the Royal School of Administration, the Economics and Finance Institute, the Distance Learning Center and other training providers; and (ii) financial management, disbursement, audit and reporting procedures as set forth in Article IV of this Agreement; and

(c) shall not modify, waive, suspend, cancel or abrogate any provisions of the Project Implementation Manual and the Financial Management Manual without the prior concurrence of the Association.

7. The Borrower shall establish a computerized financial management system for the Logistics Support Unit, including installation of a specialized financial management software acceptable to the Association; and shall provide financial management, disbursement and procurement training for the staff of the Logistics Support Unit; in a manner satisfactory to the Association.

8. The Borrower shall enter into a Memorandum of Understanding with the GDLN Services that represents a statement of intent to join GDLN and to abide by the general principles of GDLN provided therein.

9. The Borrower shall cause CAR, the Economics and Finance Institute and the Royal School of Administration to enter into a Memorandum of Understanding, acceptable to the Association, which sets forth the rights and obligations of each party with respect to the training arrangements under the Project.

10. In carrying out Part D of the Project, the Borrower shall, not later than August 1, 2003, employ a director for the Distance Learning Center, with terms of reference, experience and qualifications acceptable to the Association.

11. In carrying out Part D of the Project, the Borrower shall, not later than March 1, 2004, adopt the business plan for the Distance Learning Center, acceptable to the Association.

12. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

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

(c) review with the Association, by July 1, 2004 or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term “Authorized Allocation” means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$40,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 800,000.

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

3. After the Association has received evidence satisfactory to it that the special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such

documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such

outstanding amount.

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

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

SCHEDULE 6

Performance Indicators

Performance Indicators	Mid-Term Review	End of Project	Source of Data
I. Impact/Outcome indicators			
1. Retention of trained public officials in civil service--the management development program (MDP) and the professional development program (PDP)			
a. The number of trained officials retained in civil service after 1 year of training as percentage of total number of trained officials	80%	80%	Career tracking surveys
2. Extent to which acquired skills are used in the workplace (MDP, PDP and training for provincial officials)			
a. The number of trained officials who use acquired skills in the workplace as percentage of total number of trained officials	50%	80%	Career tracking surveys
II. Output indicators			
<i>Training Program Development and Implementation</i>			
1. Total number of public officials trained under the advanced executive program (AEP), MDP and PDP			
a. AEP	100	300	TCO
b. MDP	100	400	TCO
c. PDP	25	100	TCO
d. Training for senior provincial officials (under MDP; workshops held in Phnom Penh; emphasis on public financial management, and selected topics on governance and poverty reduction)	50	200	TCO
e. Training for provincial officials (under MDP; workshops held in province; public financial management)	50	400	TCO
2. The number of officials trained in Priority Mission Group inception workshops	500	2000	TCO
3. Completion rates of each program (the number of participants who passed exams and/or			

obtained certificates as percentage of total participants)			
a. MDP	70%	80%	TCO
b. PDP	70%	80%	TCO
c. Training for Provincial Officials (under MDP; including workshops in Phnom Penh and provinces)	70%	80%	TCO
4. The ratio of trained female officials as percentage of total number of trained officials in the programs	30%	Above 30%	TCO
5. Quality of training programs offered (measured by the percentage of participants who evaluated the program 'satisfactory' or better among five choices -- excellent, good, satisfactory, poor, very poor)			
a. AEP	60% or above	80% or above	Course evaluation
b. MDP	60% or above	80% or above	Course evaluation
c. PDP	60% or above	80% or above	Course evaluation
d. Training for provincial officials	60% or above	80% or above	Course evaluation
6. Program costs measured by unit cost per participant hour (expected to decline as local capacity develops and international involvement declines)			
a. AEP (baseline: US\$19/participant hour)	\$18	\$16	TCO
b. MDP (baseline: US\$16/participant hour)	\$15	\$10	TCO
c. PDP (baseline: US\$16/participant hour)	\$15	\$10	TCO
<i>Institutional Development</i>			
7. Extent of involvement of local trainers in training provision (participant hours taught by local trainers as percentage of participant hours taught by expatriate and local trainers, assuming that expatriate trainers carry out training initially with local trainers, and phase out as local capacity develops.)			
a. AEP	50%	60%	TCO
b. MDP	50%	80%	TCO
c. PDP	50%	80%	TCO
8. Use of training materials translated into Khmer language (the number of modules in which course materials have been translated into Khmer as percentage of total number of modules)			
a. MDP (coursework)	60%	90%	TCO
b. PDP (coursework)	50%	90%	TCO
9. Expansion of the use of HRMIS in the government			
a. The number of ministries/agencies which have appointed trained officials on HRMIS at their HRM Divisions.	10	25	CAR
b. The number of ministries/agencies which have fully operational equipment and use HRMIS on a regular basis.	5	20	CAR
10. Capacity development at the Economic and			

Financial Policy Planning and Monitoring Unit (MEF)				
a.	Macro (or financial) modeling	Officials trained and a model built	The model regularly used for ministerial works	MEF/CAR
b.	Public expenditure monitoring	Officials trained and monitoring instruments developed	The instruments used for regular monitoring works	MEF/CAR
<i>Distance Learning Center (DLC)</i>				
11.	Use of DLC under each program (participant hours taught by DLC as percentage of total participant hours)			
a.	AEP	20%	20%	TCO
b.	MDP	5%	5%	TCO
c.	PDP	10%	10%	TCO
12.	Extent to which the DLC business plan will have achieved its targets:			
a.	Revenues from service provisions	Set as in business plan	Set as in business plan	DLC
b.	The ratio of annual revenues from service provisions relative to annual operating costs	Set as in business plan	Set as in business plan	DLC
c.	Facility utilization rates	Set as in business plan	Set as in business plan	DLC
d.	Cost per student hour	Set as in business plan	Set as in business plan	DLC

