H.E. Dr. Aun Pornmoniroth
Minister
Ministry of Economy and Finance
Phnom Penh, Kingdom of Cambodia

Excellency:

Re: Kingdom of Cambodia: Public Financial Management Reform Program
Multi-Donor Trust Fund
Additional Financing for the Public Financial Management Modernization Project (Grant No. TF015434)

We refer to the Grant Agreement ("Agreement") dated November 7, 2013, between the Kingdom of Cambodia ("Recipient") and the International Development Association ("Association"), acting as administrator of the Public Financial Management Reform Program Multi-donor Trust Fund ("Trust Fund") for the Public Financial Management Modernization Project ("Project"). We also refer to the letter dated June 27, 2014 from the Ministry of Economy and Finance requesting the Association to provide additional financing to cover a financing gap and scale-up the Project. Accordingly, we propose to amend the Agreement as set forth below.

1. Article III ("The Grant"): Section 3.01 is amended to increase the Grant amount by seven million six hundred thousand Dollars ($7,600,000) as follows:

"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 thirteen million five hundred three thousand and thirteen United States Dollars (U.S.$13,503,013) ("Grant") to assist in financing the Project."

2. Schedule 1 ("Project Description"): Parts 1 and 2 are amended to read as follows:

"Part 1. Mobilization of Revenue and Project Management Functions of the GSC
A. Carrying out of capacity building activities to support the Recipient in the areas of revenue administration and preparation of a revenue mobilization strategy, and the monitoring and implementation of said strategy.
B. Support the GSC in the management of the Project.

Part 2. Improvement of Budget Execution Processes
A. Strengthen the Recipient’s budget execution processes through:
   (a) the deployment of an automated FMIS: (i) to computerize the financial operations of budget and treasury units at the MEF; and (ii) to enhance
budget integration and comprehensiveness, including implementation of integrated budget implementation plans;

(b) the implementation of the uniform account code structure and the fulfillment of the requirements of cash basis IPSAS in MEF, line ministries, and all governmental budget entities; and

(c) carrying out of capacity building and training activities on the uniform account code structure and the use of new chart of accounts, based on the IPSAS, the implementation of program-based budget, and budget entity reforms.

B. Provision of implementation support for the FMIS including, *inter alia*:

(a) building the capacity of the GDNT and the FMIS Project Management Working Group to oversee and monitor the FMIS implementation; and

(b) strengthening the capacities of the Ministry of Economy and Finance and providing support to staff to facilitate the transition to and be able to operate effectively in an automated environment.”

3. Schedule 2 (“Project Execution”): Section I.A.1 is amended to read as follows (emphasis added):

   “1. The General Secretariat of **Public Financial Management Reform Steering Committee**, established by the Recipient with membership, functions, responsibilities and resources satisfactory to the Association, shall be responsible for, *inter alia*: (a) overseeing implementation of the Project; and (b) approving annual activities and budget allocations of the Project.”

4. Schedule 2 (“Project Execution”): Section II.A.1 is amended to read as follows (emphasis added):

   “1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank and set forth in the Results Framework. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.”

5. Schedule 2 (“Project Execution”): Section III.B is amended by including a second paragraph as follows:

   “2. The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) Shopping; (b) Direct Contracting; and (c) National Competitive Bidding, subject to the following additional provisions:

   The competitive bidding procedure to be followed for National Competitive Bidding shall be the public competitive methods set forth in the Kingdom of Cambodia’s Updated Procurement Manual for All Externally Financed Projects/Programs (“Procurement Manual”), with the modifications set forth below in order to ensure broad consistency with the provisions of Section I of the Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011 (the
Procurement Guidelines) as required by paragraphs 3.3 and 3.4 of the Procurement Guidelines. The Procurement Manual elaborates detailed procedures for the procurement of goods, works and non-consulting services under projects financed by development partners in Cambodia, and is promulgated through the Sub-decree 74 on “Promulgating the Updated Standard Procedures for Implementing all Externally Financed Projects/Programs” dated May 22, 2012, which is issued pursuant to Article 3 of the Kingdom of Cambodia’s Law on Public Procurement dated January 14, 2012.

1. Eligibility

No bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than as provided in Section I of the Procurement Guidelines. Bidder registration shall not be used to determine eligibility under Section I of the Procurement Guidelines. Foreign bidders shall not be asked or required to form joint ventures with national bidders in order to submit a bid. Bidders located in the same province or city as the procuring entity shall not be given preference over bidders located outside that city or province.

2. Bid Submission, Bid Opening and Bid Evaluation

(a) Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bid or the date of availability of the bidding documents, whichever is later, to prepare and submit bids.

(b) The evaluation of a bid shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.

(c) The lowest evaluated bidder shall be required to meet minimum qualification criteria which shall be determined based on the bidder’s capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity.

(d) No bidder shall be rejected on the basis of a comparison with the Recipient’s estimate and budget ceiling without the World Bank’s prior concurrence.

(e) A copy of the minutes of the public bid opening shall be promptly provided to all bidders and to the World Bank with respect to contracts subject to prior review.

(f) Neither shall all bids be rejected nor shall new bids invited without the World Bank’s prior written concurrence.

3. Right to Inspect/Audit

Each bidding document and contract financed from the proceeds of the Grant shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the World Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the World Bank. The deliberate and material violation by a bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

4. Publication

Information on contract award shall be published at least in a national newspaper or in the official gazette of wide circulation, or on a widely used website with free national and international access within two (2) weeks of receiving the World Bank’s no objection to the award recommendation for contracts subject to prior review, and within two (2) weeks
from the award for contracts subject to post review. Publication shall include the following information: (a) the name of each bidder which submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names of bidders whose bids were rejected and the reasons for their rejection, and (e) the name of the winning bidder, the final total contract price, and the duration and summary scope of the contract.”

6. Schedule 2 (“Project Execution”): Section III.C.2 is amended to read as follows (emphasis added):

   “2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection of Individual Consultants; (c) Single-source procedures for the Selection of Individual Consultants; (d) Selection Based on the Consultants’ Qualifications; (e) Least Cost Selection; and (f) Single-source Selection of consulting firms.”

7. Schedule 2 (“Project Execution”): The Eligible Expenditures table in Section IV.A.2 is replaced by the table in the Attachment of this letter of amendment.

8. Schedule 3 (“Results Framework and Monitoring”): the table containing the Results Framework and Monitoring is deleted in its entirety.

9. Appendix (“Definitions”): The following term in the Appendix to the Agreement is revised to read as follows:

   “2. “Consultant Guidelines” means: (a) except as provided in subparagraph (b) below, “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Grant, and for which the invitation to bid was issued prior to the date of this letter of amendment, “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.

10. Appendix (“Definitions”): Definition No. 9 (“MEF Steering Committee Secretariat”) is deleted in its entirety and the subsequent definitions of the terms are renumbered accordingly.

11. Appendix (“Definitions”): The following term in the Appendix to the Agreement is revised to read as follows:

   “9 “Procurement Guidelines” means: (a) except as provided in subparagraph (b) below, the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014; and (b) in the case of contracts financed or to be financed, in whole or in part, out of the proceeds of the Grant, and for which the invitation to bid was issued prior to the date of this letter of amendment, “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.”

12. Appendix (“Definitions”): Two new definitions of terms are added at the end of the Appendix as No. 16 and No. 17 as follows:
“16. "General Secretariat of Public Financial Management Reform Steering Committee" and the acronym "GSC" mean the committee established under the MEF in accordance with Section I.A.1 of Schedule 2 to the Agreement, or any successor thereto.

17. "Results Framework" means the Recipient's framework, dated [March 26, 2015], setting forth the indicators and targets for purposes of monitoring and evaluation of the Project, as the same may be modified from time to time with the prior written concurrence of the World Bank, and such term includes any annexes, appendices, or schedules to such framework."

Unless the context otherwise requires and except where otherwise defined in this letter of amendment, all capitalized terms contained herein shall have the meanings given to them in the Agreement.

Except as specifically amended by this letter of amendment, all other provisions of the Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement with the amendments set out above by countersigning, dating and returning to us the enclosed copy of this letter of amendment. Upon receipt by the Association of the countersigned copy of this letter of amendment, this letter of amendment shall become effective as of the date of countersignature.

Sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Ulrich Zachau
Country Director, South East Asia
(Cambodia, Lao PDR, Malaysia, Myanmar, Thailand)
East Asia and Pacific Region

Authorized Representative
Name: AUN PORN MONIROTH, Ph.D
Title: Minister of Economy & Finance
Date: 11 MAY 2015
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<th>Category</th>
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