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

Re: Kingdom of Cambodia: Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program
Grant No TF018017

Cash Transfer Pilot Focused on Maternal and Child Health and Nutrition Project

Excellency:

In response to the request for financial assistance made on behalf of the Kingdom of Cambodia ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively, "World Bank"), acting as administrator of grant funds provided by the Government of Australia ("Donor") under the Australian Trust Fund for the Cambodia Smallholder Agriculture and Social Protection Development Program, proposes to extend to the Recipient, a grant in an amount not to exceed eight hundred fifty thousand United States Dollars (US$ 850,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within sixty (60) days after the date of signature of this
Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Constantine Chikosi
Acting Country Director, South East Asia
(Cambodia, Lao PDR, Malaysia, Myanmar, Thailand)
East Asia and Pacific Region

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement (including the cover letter to this Agreement and this Section) as follows:

(a) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011;

(b) “Beneficiaries” means poor pregnant women, poor women with children aged 0-5 years old, and children aged 0-5 years old identified using the IDPoor Program from the Pilot Districts, and participating in the cash transfer and bonus pilot under the Project;

(c) “Cash Bonuses” means cash bonuses to be paid to Beneficiaries who fulfill certain co-responsibilities as detailed in the Project Operations Manual, including number of visits for prenatal and post-natal check-ups, attendance of periodic community health and nutrition sessions, growth monitoring and promotion visits and first and second -cycle vaccination for children aged 0 to 1, and growth monitoring and promotion visits for children aged 1 to 5;

(d) “Cash Transfers” means unconditional cash grants in amounts to be specified, and to be paid to Beneficiaries pursuant to the provisions of the Project Operations Manual;

(e) “Commune Chiefs” means chiefs who head the Commune Offices in the Pilot Districts.

(f) “Commune Offices” means offices setup in the Pilot Districts to represent villagers, and any successors thereto;

(g) “Consultant Guidelines” means the Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011;

(h) “Council for Agricultural and Rural Development” or “CARD” means the council responsible for coordination of agricultural and rural development and advising on policy and strategy relevant to agriculture and rural development, food security and nutrition, and social protection, and any successor thereto;

(i) “Identification of Poor Households Program” or “IDPoor Program” means the program led by the Ministry of Planning in collaboration with the Department of Local Administration of the Ministry of Interior which has as its objective to officially mandate national standardized procedures for identification of poor households and to achieve their implementation throughout the Kingdom of Cambodia;
(j) "Indigenous Peoples" means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production;

(k) "Ministry of Interior" the Recipient's interior ministry responsible for, inter alia, public administration throughout the Recipient's provinces and districts, and any successor thereto;

(l) "Ministry of Health" or "MoH" means the Recipient's health ministry responsible for governing healthcare, the healthcare industry, public health and health-related non-government organizations in the Kingdom of Cambodia, and any successor thereto;

(m) "National Committee for Sub-National Democratic Development Secretariat" or "NCDD-S" means the secretariat established by Royal Decree number S/RKT/1208/1429, dated December 31, 2008, for the implementation of the law on administrative management of the capital, provinces, municipalities, districts and Khans (organic law), the law on administrative management of communes/sangkats and decentralization and deconcentration policy, and any successor thereto;

(n) "National Social Protection Strategy" or "NSPS" the strategy launched by the Recipient in December 2011 to accelerate progress towards the Cambodian Millennium Development Goals to reduce poverty and inequality, and to achieve socio-economic security and bring coherence to policy formulation and implementation;

(o) "Operating Costs" means the reasonable costs of goods and non-consulting services required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), transportation, translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient's civil service;

(p) "Pilot Districts" means Srey Snam (Siem Reap province) and Phnom Srok (Banteay Meanchey province);

(q) "Procurement Guidelines" means 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;

(r) "Procurement Plan" means the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines;
(s) "Project Operations Manual" means the manual dated September 19, 2014, and prepared by the Recipient, in form and substance acceptable to the World Bank, setting forth, inter alia, implementation, organizational, administrative, monitoring and evaluation, environmental and social safeguards, financial management, disbursement, and procurement arrangements for purposes of implementation of the Project, as well as criteria for enrolment and verification of Beneficiaries, Beneficiaries’ co-responsibilities, the selection of third party financial institutions for the Cash Transfers and Cash Bonuses, Cash Transfers and Cash Bonuses criteria, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual;

(t) "Social Protection Coordination Unit" or "SPCU" means the unit within CARD responsible for inter-ministerial coordination and monitoring of the NSPS;

(u) "Standard Conditions" means the Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012;

(v) "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training activities and workshops under the Project, including travel and subsistence costs for training or workshop participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course or workshop preparation and implementation, but excluding consultants’ fees; and

(w) "World Bank’s Safeguard Policies" means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.worldbank.org/opmanual.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to help increase the utilization of essential health services by pregnant women and children (0 to 5 years of age) in targeted districts, and enhance the readiness of delivery mechanisms of the social protection system. The Project consists of the following parts:

**Part 1: Support to the National Social Protection Strategy.**

Carrying out of activities designed to support the National Social Protection Strategy, including: (a) updating the National Social Protection Strategy; (b) developing a unique registry of beneficiaries of social programs; (c) undertaking research activities, including collaboration with the impact evaluation of the Project; and (d) coordinating actors at the national level, including outreach events to disseminate information about the Project and its impact evaluation.
Part 2: Cash Transfers and Cash Bonuses to Beneficiaries.

Provision of (a) Cash Transfers to enrolled Beneficiaries to facilitate their utilization of health and nutrition services available in the Pilot Districts; (b) Cash Bonuses for Beneficiaries based on compliance with specific co-responsibilities relating to health service utilization and attendance to learning workshops; and (c) nutrition and sanitation workshops for enrolled Beneficiaries.

Part 3: Strengthening of Cash Transfer Implementation Systems

Carrying out of activities designed to (a) strengthen the NCDD-S’ management information system (MIS) to support implementation and monitoring and evaluation of the Project; (b) strengthen the capacity of commune councils and district level staff to interact with health service providers, respond to Project needs including grievance redress, and monitor program implementation; and (c) support other Project administration and management activities.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the National Committee for Sub-National Democratic Development Secretariat (NCDD-S) of the Ministry of Interior, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) Institutional Arrangements.

(i) The Recipient, through the NCDD-S shall be responsible for the overall implementation of the Project and shall maintain, at all times during the implementation of the Project, staff and resources for such purpose satisfactory to the World Bank.

(ii) Without limitation upon the provisions of Section 2.02 and paragraph (a)(i) of this Section, the Recipient shall, (A) not later than two (2) months after the countersignature date of this Agreement, select a financial institution to manage and pay the Cash Transfers and Cash Bonuses to Beneficiaries, in accordance with the provisions of this Agreement and the Project Operations Manual; and (B) ensure that appropriate coordination and inputs are obtained from relevant authorities of the Recipient and other stakeholders in the carrying of the Project, including with CARD for the implementation of Part 1 of the Project, Pilot Districts, including Commune Offices and Commune Chiefs, MoH, MoP, and village workers.

(b) Other Arrangements.

(i) The Recipient shall (A) adopt the Project Operations Manual and ensure that the Project is carried out in accordance with said Project Operations Manual; and (B) except as the World Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Project Operations Manual or any provision thereof.
(ii) In the event of any inconsistency between the provisions of this Agreement and those of the Operations Manual, the provisions of this Agreement shall prevail.

(c) Safeguards.

(i) The Recipient shall ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building activities under this Agreement (including in particular, but not limited to, the activities under Part 1 of the Project) shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank's Safeguard Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

(ii) Without limitations upon the provisions of paragraph (c)(i) of this Section, the Recipient shall ensure that the National Social Protection Strategy to be updated in accordance with Part 1 of the Project will include free, prior and informed consultations with Indigenous Peoples and the provision of culturally appropriate benefits to Indigenous Peoples.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor to visit any part of the Recipient's territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation. (a) 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 the indicators acceptable to the Bank and set forth in the Project Operations manual. 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 period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial
Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. **Procurement**

(a) **General.** All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) 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 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting and (C) National Competitive Bidding, subject to the following additional provision:
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.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

(f) Unless otherwise agreed to between the Recipient and the World Bank, and for the purposes of this Section, guidance for implementing the Procurement Guidelines and the Consultant Guidelines is provided in the Kingdom of Cambodia’s Updated Procurement Manual for all Externally Financed Projects/Programs, promulgated pursuant to Sub-Decree 74 on Promulgating the Updated Standard Procedures for Implementing All Externally Financed Projects/Programs, dated May 22, 2012.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions),
to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Goods, non-consulting services, consultants’ services, Operating Costs and Training</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Cash Transfers and Cash Bonuses</td>
<td>450,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>850,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 30, 2016.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister responsible for finance.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

4.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:
International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD
Telex: INDEVAS 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391