Grant Agreement

(Public Financial Management Modernization Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia

Dated November 7, 2013
AGREEMENT dated November 7, 2013, entered into between:

KINGDOM OF CAMBODIA ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION (the "World Bank") acting as administrator of the Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

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

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule I to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Ministry of Economy and Finance in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million nine hundred and three thousand and thirteen United States Dollars ($5,903,013) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Economy and Finance.

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

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

Facsimile:

(855-23) 430-745
(855-23) 427-798

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

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

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

Name: Dr. AUN PORNMONIROTH
Title: Minister of Economy & Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia

By

Authorized Representative

Name: ULRICH ZACHAU
Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to enhance public financial management by strengthening: (a) revenue mobilization and (b) the budget execution processes through the implementation of the Financial Management Information System.

The Project consists of the following parts:

Part 1. Mobilization of Revenue and MEF Steering Committee Secretariat Operations Support

A. Support the Recipient in the preparation of a revenue mobilization strategy.

B. Support the SCS 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 to computerize the financial operations of budget and treasury units at the MEF, GDNT, and provincial treasuries; and
   
   (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.

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.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Implementation Arrangements

1. The MEF Steering Committee Secretariat, 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.

2. The FMIS Project Management Working Group, established by the Recipient and assigned with qualified staff in adequate numbers and provided with sufficient funds, facilities and resources, all satisfactory to the Association, will be responsible for the day-to-day administrative implementation of Part 2.B.(a) and streamlining FMIS in to the government function of the treasury system.

3. The Recipient shall ensure that the Project is carried out in accordance with the Financial Manual.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Donor Visibility and Visit

1. 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.

2. 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 Donors to visit any part of the Recipient's territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

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 the indicators set forth below in Schedule 3 to this Agreement. Each Project Report shall cover the period of
one 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.

2. 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

3. The Recipient shall have its Financial Statements for the Project 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 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.

Section III. Procurement

A. General

1. Goods. All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.
B. Particular Methods of Procurement of Goods and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

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; and (c) Single-source procedures for the Selection of Individual Consultants.

D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 table in paragraph 2 below.
2. The following 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) Consultants' services, Goods, Training and Workshops, and Incremental Operating Costs under the Project</td>
<td>5,903,013</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,903,013</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is May 14, 2016.
Schedule 3  
Results Framework and Monitoring

<table>
<thead>
<tr>
<th>Project Development Objective Indicators</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
</table>
| Improving budget execution processes through the implementation of FMIS | This indicator is measured by the number of treasuries at the national and provincial levels implementing FMIS.  
Outcome: a fully operational FMIS, treasury centric module. |
| Enhanced revenue mobilization as measured by tax and non-tax revenue collection | This indicator is measured by revenue to GDP ratio. |

<table>
<thead>
<tr>
<th>Intermediate Results Indicators</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
</table>
| Improve budget classification through the implementation of the uniform account code structure | This indicator is measured by the number of budget classification segments implemented.  
Outcome: Economic Classification (EC); Administrative Classification (AC); and Geographic Classification (GC) are fully implemented. Program Classification (PC); Source of Fund Classification (SFC); and Function Classification (FC) are partially implemented. |
| Revenue mobilization action plans developed and its implementation monitored | This indicator is measured by scheduled progress: 1 = finalize and approve strategy and action plans; 2 = prepare sequenced and prioritized action plans; 3 = monitor implementation; 4 = interim monitoring report. |
| The MEF increases the number of female staff participating in training events | This indicator is measured by the percentage of women participated in training. |
APPENDIX

Section I. Definitions


3. "Financial Management Information System" and the acronym “FMIS” means the automated budget and treasury operations financial management information system ("treasury centric model").

4. “Financial Manual” means the Recipient’s updated financial manual developed under the Financial Management Accountability Project between the Kingdom of Cambodia and the International development Association dated February 13, 2007 (H241-KH) for the Project satisfactory to the Association which includes a financial management action plan, and referred to in Section I.A.3. of Schedule 2 to this Agreement, as such manual may be revised from time to time with the prior approval of the Association.

5. “GDNT” means the Recipient’s General Department of the National Treasury, or any successor thereto.

6. “Incremental Operating Costs” means reasonable expenditures incurred by the Recipient in managing, coordinating and monitoring the implementation of the Project (which expenditures would not have been incurred absent the Project), including expenditures for the cost of Steering Committee meetings, travel, lodging, per diems, consumable materials, office supplies, office rental, utilities, communication services, advertisement, operation and maintenance of office equipment and vehicles, cost of project support staff, bank charges; but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the government’s civil service.

7. “IPSAS” means International Public Sector Accounting Standards.

8. “MEF” means the Recipient’s Ministry of Economy and Finance or any successor thereto.
9. “MEF Steering Committee Secretariat” and the acronym “SCS” mean the committee created under the Public Financial Management Reform Program or any successor thereto.

10. “FMIS Project Management Working Group” means the Recipient’s Project Management Office responsible for the implementation of the FMIS.


12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 16, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.


15. “Training and Workshops” means training and workshops conducted in the territory of the Recipient and abroad, including reasonable and necessary incremental expenditures incurred on account of organizing or attending learning and knowledge dissemination events, including, fees for educational institutions; fees and allowances for resource persons; travel, board and lodging for resource persons and trainees; logistics and materials associated with conferences, seminars, workshops, and study tours; and other training costs directly associated with the Project but excluding those provided through consulting services.