Trust Fund Administration Agreement between Sweden represented by the Swedish International Development Cooperation Agency and the International Development Association concerning the Cambodia Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia (Trust Fund No. TF071696/ SIDA Contribution No 51100014/13)

Dear Excellency:

1. We are pleased to acknowledge on behalf of the International Development Association (“IDA” or the “Bank”) that Sweden, represented by the Swedish International Development Cooperation Agency, Sida (the “Donor”) shall make available as a grant the sum of Swedish Kronor one million (SEK 1,000,000) (the “Contribution”) for the Cambodia Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia (the “Trust Fund”) in accordance with the terms of this Agreement. Other donors are also expected to contribute to the Trust Fund on the terms and conditions specified in the Annexes to this Agreement.

2. The Contribution shall be used to finance the activities and the categories of expenditure set forth in the Description of the Project attached hereto as Annex 1, and shall be administered by the Bank on behalf of the Donor in accordance with the terms of this Agreement including the “Standard Provisions Agreed Between the Bank and the Donors” (the “Standard Provisions”) attached hereto as Annex 2.

3. The Donor shall deposit the Contribution into such bank account designated by the Bank promptly following countersignature of this Agreement by the Donor and submission of a payment request by the Bank.

4. When making such deposit, the Donor shall instruct its bank to include in its payment details information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is made by the Donor for TF071696 (the Cambodia Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia), and the date of the deposit (the “Deposit Instruction”). In addition, the Donor shall provide a copy of the Donor’s Deposit Instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.
5. The Bank shall convert the Contribution funds into the holding currency of the Trust Fund, namely United States dollars, promptly upon receipt of the Contribution funds and the Deposit Instruction containing the information specified in paragraph 4 at the exchange rate obtained by the Bank on the date of the conversion. Where the Contribution proves to be insufficient to complete the activities as a result of an exchange rate fluctuation, neither the Bank nor the Donor shall bear any responsibility for providing any additional financing.

6. Except as provided for in paragraph 4 above, any notice, request or other communication to be given or made under this Agreement shall be in writing and delivered by mail, facsimile or e-mail to the respective party’s address specified below or at such other address as such party notifies in writing to the other party from time to time:

For the Bank:

Senior Country Economist
Poverty Reduction and Economic Management Unit
Cambodia Country Office
113 Norodom Boulevard
Phnom Penh, Cambodia

Tel: 023 217 304
Fax: 023 210 504

For the Donor:

Karl-Anders Larsson
Counsellor
Embassy of Sweden
10th floor, Phnom Penh Tower,
#445, Monivong Blvd.
Phnom Penh, Cambodia

Tel: 016 944 644
Fax: 023 861 701
E-mail: karl-anders.larsson@foreign.ministry.se

7. All annexes hereto constitute an integral part of this Agreement. This Agreement may be amended only in writing between the Bank and the Donor; provided, however, that such annexes may be amended only with the agreement of all donors contributing to the Trust Fund.

8. Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Agreement. Upon receipt by
the Bank of the copy of this Agreement countersigned by you, this Agreement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Annette Dixon
Country Director, Cambodia
East Asia and Pacific Region

AGREED:

SWEDEN, REPRESENTED BY SIDA

By: Date: 30.03.2012
Name: Anne Höglund
Title: Ambassador
ANNEX I TO THE ADMINISTRATION AGREEMENT

DESCRIPTION OF THE PROJECT

A. SUPPORT INSTRUMENT

The Cambodia Public Financial Management Trust Fund (PFMTF) will be disbursed over five years 2012 – 2016 in support of a program-based approach. The PFMTF finances the Public Financial Management Reform Program (PFMRP), and capacity development for the National Audit Authority (NAA). The operation supports the harmonization and alignment objective of Paris Declaration on Aid Effectiveness—the use of common arrangements or procedures in terms of the percentage of aid provided through program-based approaches—endorsed by the Bank. Estimated amounts allocated to the components (section E of this Annex I) may be adjusted without the need to amend this Administration Agreement.

B. OBJECTIVES & ACTIVITIES

The development objective of the PFMTF is to strengthen public financial management by strengthening: (1) the mobilization of public resources, (2) the management of public resources, (3) the management of human resources, and (4) external audit and oversight. Toward this objective, the PFMTF will provide (i) direct co-financing to recipient activities; (ii) programmatic analytical advice and implementation support; and (iii) donor coordination functions. This will be achieved through: (1) continued support to the existing Public Financial Management and Accountability Project in Cambodia; (2) support to a second public financial management project (PFM 2); and (3) analytical and policy advice to PFMRP and related cross-cutting issues (e.g. public administration reform). The activities to be funded by the PFMTF under the recipient executed component support Stage 2 and later stages of the Public Financial Management Reform Program (PFMRP). Section 5.2 outlines a draft results framework which will be further elaborated in consultation with the Royal Government of Cambodia (RGC) and the Development Partners (DPs). The results framework will remain consistent with the PFM Joint Monitoring Indicators (PFM JMIs) as well as performance indicators, objectives and targets under the PFMRP.

C. OUTCOME INDICATORS

1) Strengthened mobilization of public resources as measured by increases in tax and non-tax revenues as a percentage of the GDP.

2) Strengthened management of public resources as measured by more credible budget formulation & implementation and reduced fiduciary risk.
3) Strengthened management and utilization of Ministry of Economy and Finance (MEF), Human Resource (HR) as measured by improved productivity, performance and conditions of service for skilled personnel.

4) Strengthened management of external audit capacity as measured by the extent of audit coverage in line with international audit standards and number of audit reports submitted to the National Assembly.

5) Timely policy advice and implementation support for PFMRP and NAA reforms as measured by feedback from MEF and NAA on timeliness / quality / relevance.

6) Coordinated donor funding and policy analysis as measured by MEF, NAA, and donor feedback.

D. SUMMARY DESCRIPTION OF ACTIVITIES TO BE FINANCED

1) The recipient executed component including co-financing activities which are detailed in the Project Appraisal Document (PAD) of the PFMAP Project No. P087945 and technical assistance (standalone) activities are defined in detail under Stage Two and later stages of the PFMRP; and

2) The Bank executed component includes: (i) costs for Trust Fund administration and program management; and (ii) Bank executed activities. Bank executed activities are analytical, advisory, supervisory, and managerial services including the World Bank task team that support Public Financial Management-related oversight activities by the Cambodian Parliament, i.e. sharing knowledge and building analytical capacity.

3) The Contribution shall be used to finance the following categories of expenditure:

(a) Bank Executed Component Categories
   - Consultant fees
   - Extended Term Consultants
   - Travel expenses
   - Staff Costs including salaries, benefits, overheads, training and other costs
   - Media & workshop costs
   - Temporary Support Staff Costs (Program Administration)
   - Associated Overheads
   - Contractual services

(b) Recipient Executed Component Categories
   - Goods
   - Consultant Services
E. ACTIVITIES & COMPONENTS WITH COST BREAKDOWN

1) Cofinancing to strengthen MEF's capacity to (1) mobilize and manage public resources; (2) develop Human Resource (HR); and (3) strengthen NAA's capacity to develop policy and conduct audits

   Planned Output: Modernized revenue administration; a functioning Integrated Financial Management Information System (IFMIS); capacity building designed and implemented led by MEF and increase audit coverage, timely publication of audit reports by NAA.
   Execution By: Recipient Government
   Estimated Amount: US$ 9.7 million

2) Recipient executed technical assistance to support PFMRP Stage Two, and later stages

   Planned Output: Repeater projects and activities that will be specifically defined under PFM2 at a later stage.
   Execution By: Recipient Government
   Estimated Amount: US$ 5.1 million

3) Recipient Executed Trust Fund (RETF) Implementation support (supervision)

   Planned Output: Timely and intensive implementation support of RETF; regular aide - memoires and ISRs
   Execution By: World Bank
   Estimated Amount: US$ 0.5 million

4) Bank operational work, programmatic Analytic and Advisory Activities (AAA) support to the PFMRP, Parliament on PFM related activities, and PFM cross-cutting issues such as Public Administrative Reform (PAR)

   Planned Output: Quality and timely advisory support to PFM and PAR stakeholders; donor consultations on PFMRP

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1 The cost breakdown is based on a total of $20 million contribution. This amount also includes any fund remaining balance transferred from the Multi-Donor Trust Fund (MDTF), TF054545 upon agreement of MDTF donors and in anticipation of future contributions.
Execution By: World Bank  
Estimated Amount: US$ 4 million

5) Trust Fund Administration and Program Management

Planned Output: Effective Trust Fund administration, monitoring and reporting  
Execution By: World Bank  
Estimated Amount: US$ 0.4 million

F. EXPECTED BENEFITS OF THE TRUST FUND ACTIVITIES

The expected benefits of the PFMTF are (i) implementation support for the various stages of the PFMRP (including implementation of IFMIS and capacity-building strategy), (ii) quality policy advice and knowledge-sharing on PFMRP, oversight activities (external audit and parliament) and cross-cutting issues (e.g. PAR); and (iii) effective and efficient donor coordination. The higher level objectives will be the progress in the PFMRP results indications and other policy changes. The project development objective (Section B of this Annex I), reflects the impact of these reforms on service delivery, growth and poverty reduction.

G. GOVERNANCE STRUCTURE

1) The RETF governance uses the existing structure supported by the Bank Task Team, Technical Assistance (TA) support to the MEF, and donors to promote government leadership and ownership.

a) The MEF Steering Committee Secretariat (SCS) is chaired by the Chairman of the PFMRP and Secretary of State, and its members are ministries and agencies. The SCS sets policy for the PFMTF activities ensuring that operations are in conformity of the objective and policies of the PFMTF linking the PFMTF with the overall PFM Sector Wide Approach (SWAp)². The SCS led by a manager and a deputy manager and supported by a team that provides accounting, procurement, administration, and coordination.

b) The NAA Steering Committee is chaired by the Auditor General and its members are NAA departments engaging in the external audit activities under the PFMAP. The Committee has overall responsibility for setting policy for and ensuring compliance of Trust Fund activities and linking these to the overall external audit activities supported by other donors. The Technical Working Group (TWG) is a forum where executing agencies meet on a

² Public Financial Management Reform Program (PFMRP) Stage 2: Building on improved budget credibility toward achieving better financial accountability, December 2008
quarterly basis with Development Partners (DPs). The World Bank will have a no objection basis relationship with government in management of the operational fund. All standards for RETF will apply.

2) For Bank Executed Trust Fund (BETF), governance will build on existing structures. BETF activities will follow standard Bank processes in particular for selecting activities and ensuring quality. Discussions and reviews of progress will be fully integrated in the broader country work, through engagement area strategy discussions between the Country Management Unit (CMU) and the sector. The PFMTF will support a programmatic approach to analytical and advisory support. Implementation support and analytical work identified by the Lead Economist (Sector Manager) in agreement with CMU of a Task Team Leader for each task. The monthly donor meetings (DPC) will be used to share information. An annual report will be presented to the Technical Working Group (TWG) on the activities of these components along with an action plan for future activities.
ANNEX II TO THE ADMINISTRATION AGREEMENT

THE STANDARD PROVISIONS AGREED BETWEEN THE BANK AND THE DONORS, INCLUDING SCHEDULE TO ANNEX II: SCHEDULE OF ANTICIPATED ACTIVITIES

The following provisions (hereinafter referred to as the "Standard Provisions") shall be applicable to and form an integral part of all agreements into between the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") (collectively, the "Bank") and donor countries and/or organizations (hereinafter referred to as the "Donors") that provide grants (referred to as the "Contributions") to be administered by the Bank for Cambodia Public Financial Management Trust Fund for the Public Financial Management Reform Program in Cambodia (the "Program").

1. Administration of the Contributions

The Bank shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

2. Commingling, Exchange and Investment of the Contributions

2.1. The Contribution funds shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. The Contribution funds may be commingled with other trust fund assets maintained by the Bank.

2.2. The Contribution funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3. The Bank shall invest and reinvest the Contribution funds pending their disbursement in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank shall credit all income from such investment to the trust fund established under this Agreement to be used for the same purposes as the Contribution funds.

3. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Agreement, the Bank may deduct and retain for its own account an amount equal to two percent (2%) of each Contribution. In addition, costs for trust fund administration and program management as defined in Annex 1 up to a
maximum of two percent (2%) will be charged to the Trust Fund on an actual basis. If the contributions increase beyond what was originally expected at the time of counter-signature of the first administration agreement, and the administrative costs increase as a result, the Donors acknowledge that an additional administrative fee may be applied to such new contributions.

4. **Grant to Recipient**

4.1. The Bank shall, as administrator on behalf of the Donors, enter into a grant agreement (the "Grant Agreement") with the Kingdom of Cambodia (the "Recipient") for the provision of Contribution funds for the purposes of this Agreement and on the terms and conditions set forth in the Grant Agreement. The Bank shall furnish a copy of the Grant Agreement to the Donors.

4.2. The Bank shall be solely responsible for the supervision of Program activities financed under the Grant Agreement.

4.3. If, in the Bank's opinion, an amount of the Contribution funds allocated to any of the expenditure categories specified in Annex I to this Agreement shall be insufficient to finance the expenditures for such category, the Bank may reallocate to such category an amount of the Contribution funds then allocated to another category which, in the Bank's opinion, shall not be necessary to meet other expenditures. The Bank shall notify the Donors of such a reallocation.

5. **Employment of Consultants and Procurement of Goods**

In relation to the Bank Executed Trust Fund, the employment and supervision of consultants and the procurement of goods financed by the Contributions shall be the responsibility solely of the Bank and shall be carried out in accordance with its applicable policies and procedures. The Grant Agreement shall provide that the Contributions shall be used by the Recipient Executed Trust Fund to finance expenditures for goods and services, as the case may be, in accordance with the Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect at the date of the Grant Agreement.

6. **Accounting and Financial Reporting**

6.1. The Bank shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank shall furnish to the Donors current financial information relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions via the World Bank's Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information
relating to receipts, disbursements and fund balance in the holding currency of the Trust Fund with respect to the Contributions shall be made available to the Donors via the World Bank’s Trust Funds Donor Center secure website.

6.3. The Bank shall provide to the Donors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising: (a) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (b) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit shall be borne by the Bank.

6.4. If a Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donor shall agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the requesting Donor.

6.5. The Bank shall provide the Donors with copies of all financial statements and auditors’ reports received by the Bank from the Recipients pursuant to the Grant Agreements.

7. Coordination and Program Reporting

7.1. The Bank shall provide the Donors with an annual report on the progress of activities financed by the Contributions. Within six (6) of the final disbursement date specified in paragraph 8.1, the Bank shall furnish to the Donors a final report on the Program activities.

7.2. The Bank shall promptly inform the Donors of any significant modification to the terms of the Grant Agreement and of any contractual remedy that is exercised by the Bank under the Grant Agreement. To the extent practicable, the Bank shall afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

8. Disbursement Deadline; Cancellation; Refund

8.1. It is expected that the Contribution funds shall be fully disbursed by the Bank in accordance with the provisions of this Agreement by November 14, 2016. The Bank shall only disburse Contribution funds for the purposes of this Agreement after such date with the written approval of the Donors.

8.2. Any Donor or the Bank may, upon three (3) months' prior written notice, cancel all or part of the Donor's pro rata share of any remaining balance of the Contribution
funds that is not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Agreement prior to the receipt of such notice, including the Grant Agreement.

8.3. Upon the final disbursement date specified in paragraph 8.1, the Bank shall return any remaining balance of the Contribution funds to the Donors on a pro rata basis. In the event of a cancellation of an individual Donor's pro rata share of uncommitted Contribution funds in accordance with paragraph 8.2, the Bank shall return such cancelled balance to the Donor.

9. Disclosure

The Bank may disclose this Agreement and information on this trust fund in accordance with the Bank's policy on disclosure of information.
SCHEDULE TO ANNEX II
OF THE ADMINISTRATION AGREEMENT
ANTICIPATED ACTIVITIES
CAMBODIA PUBLIC FINANCIAL MANAGEMENT TRUST FUND FOR THE
PUBLIC FINANCIAL MANAGEMENT REFORM PROGRAM IN CAMBODIA

1. The purpose of the PFMTF is to assist the Kingdom of Cambodia in improving the effectiveness of public finance management and carrying out its Public Financial Management Reform Program under the Stage 2/Platform 2 and later Stages/Platforms as well as improving external audit and oversight activities, independent assessments, and support to the trust fund secretariat as listed under the activities as follows:

a) Further improve revenue policy and administration;
b) Further improve debt management;
c) Further improve cash and bank account management;
d) Further improve public procurement;
e) Improve lines of accountability by clarifying roles, functions and responsibilities between levels of government and within spending institutions;
f) Improve instruments for encouraging responsible financial management and enforcing accountability;
g) Further improve the implementation of new budget classification and new chart of account;
h) Improve budget execution and transaction process through the implementation of the Integrated Financial Management Information System (IFMIS);
i) Improve accounting, financial reporting and transparency including a treasury support program;
j) Improve internal auditing/inspection and response to/use of audit/inspection findings;
k) Strengthen and develop fiscal decentralization policy and strategy;
l) Building institutional capacity including a twining program and merit-based and motivational measures;
m) Improve and expand the implementation of program budgeting;
n) Further improve comprehensiveness and integration of the budget;
o) Increase visibility of results achieved and improve accountability to the National Assembly and the public;
p) Strengthen external audit and oversight of national budget formulation and execution;
q) Provide for an independent assessment of progress in implementing the Program; and
r) Provide technical assistance to the Public Financial Management Trust Fund (PFMTF) Secretariat for management and administration activities.

2. (a) In respect of the activities to be carried out by the Recipient under the Recipient-Executed Trust Fund, seventy five percent (75%) of the PFMTF (less Administrative Cost Recovery, Article 3 of the Administration Agreement) shall be used to finance activities a) through n) described in paragraph 1 above.

(b) In respect of the activities to be carried out by the World Bank under the Bank-Executed Trust Fund, twenty five percent (25%) of the PFMTF (less Administrative Cost Recovery, Article 3 of the Administration Agreement) shall be used to finance activities o) through r) described in paragraph 1 above.