The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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Washington, D.C. 20433
U.S.A.

(202) 473-1000
Cable Address: INTBAFRAD

February 12, 2011

H.E Keat Chhon
Deputy Prime Minister
Minister of Economy and Finance
Ministry of Economy and Finance
Phnom Penh, Cambodia

Re: IDA Grant no. H441-KH
(Demand for Good Governance Project)
Additional Instructions (First Revision): Disbursement

Excellency:

I refer to the Financing Agreement ("Agreement") between the Kingdom of Cambodia (the "Recipient") and the International Development Association (the "Association"), for the above-referenced Project, dated January 14, 2009. The Agreement provides that the Association may issue additional instructions regarding the withdrawal of the proceeds of IDA Grant no. H441-KH ("IDA Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions that supersede the additional instructions indicated in the disbursement letter dated January 14, 2009. The revision in this letter pertains to the increase of the ceiling of the Designated Account for NCDD.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006, ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the IDA Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the IDA Grant:

- Advance
- Reimbursement
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the Association.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Conditions in the Agreement.
II. Withdrawal of IDA Grant Proceeds

(i) Authorized Signatures (subsection 3.1). If there are changes, a letter in the Form attached (Attachment 2) should be furnished to the Association at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank  
113 Norodom Boulevard  
Phnom Penh, Cambodia  
Attention: Country Director

(ii) Applications (subsections 3.2 - 3.3) Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank  
23/F, The Taipan Place Building  
Emerald Avenue, Ortigas Center  
Pasig City, Metro Manila  
Philippines  
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The Association may permit the Recipient to electronically deliver to the Association Applications (with supporting documents) through the Association’s Client Connection, web-based portal. The option to deliver Applications to the Association by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices (“Tokens”) from the Association for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Association agrees, the Association will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Association reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens") provided in Attachment [3]; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for Reimbursement and Direct Payment is 20% of the authorized allocations to the Designated Accounts.
(vi) Advances (sections 5 and 6).

- **Type of Designated Accounts (subsection 5.3):** Four (4) Segregated Accounts comprising of:
  1. One account for MONASRI for disbursement categories 1(b), 3(a), and 4(a);
  2. One account for NCDD for disbursement categories 1(c), 3(b), and 4(b);
  3. One account for Radio National Kampuchea for disbursement categories 1(d), 3(c), 4(c);
  and
  4. One account for Ministry of the Interior (Project Coordination Office) for categories 1(f) and 3(d).

- **Currency of Designated Accounts (subsection 5.4):** USD.

- **Financial Institution at which the Designated Accounts are Opened (subsection 5.5):** National Bank of Cambodia.

- **Ceiling (subsection 6.1):** USD 100,000 for each account except for the account for NCDD which is set at USD 300,000.

III. Reporting on Use of Credit Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For request for reimbursement:**
  - Statement of Expenditure in the form attached (Attachment 4) for expenditures/contracts that are not subject to the Association’s prior review.
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Association’s prior review.
  - List of payments against contracts that are subject to the Association’s prior review in the form attached (Attachment 5).

- **For reporting eligible expenditures paid from the Designated Account:**
  - Statement of Expenditure in the form attached (Attachment 4) for expenditures/contracts that are not subject to the Association’s prior review.
  - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments against contracts that are subject to the Association’s prior review.
  - List of payments against contracts that are subject to the Association’s prior review in the form attached (Attachment 5); and
  - DA Reconciliation Statement (Attachment 6)

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** Monthly.
IV. Other Disbursement Instructions

The Asia Foundation is pre-financing its expenditures and will submit reimbursement applications periodically to the Association. Over the Project lifetime, disbursements for sub-grants shall be at least 77.2% of the disbursements for Categories 1(e), 2 and 5 of the Project. Subject to TAF adhering to the agreed work-plan and activity schedule, each quarterly reimbursement shall include a sum of $37,400 for initial reimbursement of management costs (based on the assumptions of 16 quarterly disbursements and the agreement that actual management costs may be higher than 14% of the total component cost). Each year, MEF would conduct a performance review of this component, with input from MOI. If performance is judged satisfactory, the reimbursement shall include an additional amount to cover any management costs incurred by TAF in excess of the initial reimbursements (referred to above), as evidenced by an audited statement of actual expenses, not to exceed over the Project’s lifetime the management costs detailed in the Project Proposal for this component.

The Arbitration Council Foundation is pre-financing its expenditures and will submit reimbursement applications periodically to the Association under disbursement category 1(a).

V. Other Important Information


If you have not already done so, the Association recommends that you register as a user of the Client Connection website (https://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the IDA Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Association at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact a member of the Loan Department team in Manila, the Philippines or me at loaeap@worldbank.org using the above reference.

Please accept, Excellency, the expression of my highest consideration.

/S/: Thao L. Nguyen

Thao L. Nguyen
Senior Finance Officer
Loan Department
Attachments
2. Form for Authorized Signatures
4. Form of “Statement of Expenditure”
5. Form of Payments Against Contracts Subject to the Association’s Prior Review
6. Form of Designated Account Reconciliation Statement
cc: H.E. Ngy Chanphal
    Secretary of State
    Ministry of Interior
    275 Norodom Boulevard
    Phnom Penh, Cambodia
    Tel: (855) 12 904 420
    Fax: (855) 23 426 887
    Email: mrdngycp@forum.org.kh
Dear [Country Director]:

Re: IDA Grant no. H441-KH
(Demand for Good Governance Project)

I refer to the Financing Agreement ("Agreement") between the Kingdom of Cambodia (the "Recipient") and the International Development Association (the "Association"), dated January 14, 2009, providing the above Financing. For the purposes of Section 2.03 of the General Conditions, as defined in the Agreement, any [one] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the Addressee to sign an Application for Withdrawal and Application for Special Commitment under this Financing.

For the purpose of delivering Applications to the Association, [each] of the persons whose authenticated specimen signatures appears below is authorized on behalf of the Recipient, acting [individually] [jointly], to deliver Applications, and evidence in support thereof on the terms and conditions specified by the Association.

[This confirms that the Recipient is authorizing such persons to accept Tokens and to deliver the Applications and supporting documents to the Association by electronic means. In full recognition that the Association shall rely upon such representations and warranties,

1 Instruction to the Recipient: Stipulate if more than one person needs to sign Applications, and how many or which positions, and if any thresholds apply. Please delete this footnote in final letter that is sent to the Association.

2 Instruction to the Recipient: Stipulate if more than one person needs to jointly sign Applications, if so, please indicate the actual number. Please delete this footnote in final letter that is sent to the Association.

3 Instruction to the Recipient: Use this bracket if any one of the authorized persons may sign; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Association.

4 Instruction to the Recipient: Use this bracket only if several individuals must jointly sign each Application; if this is not applicable, please delete. Please delete this footnote in final letter that is sent to the Association.

5 Instruction to the Recipient: Add this paragraph if the Recipient wishes to authorize the listed persons to accept Tokens and to deliver Applications by electronic means; if this is not applicable, please delete the paragraph. Please delete this footnote in final letter that is sent to the Association.
including without limitation, the representations and warranties contained in the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens"), the Recipient represents and warrants to the Association that it will deliver to each such person a copy of the Terms and Conditions of Use of Tokens and will cause such persons to abide by those terms and conditions.

This Authorization replaces and supersedes any Authorization currently in the Association records with respect to this Agreement.

[Name], [position]  Specimen Signature: ________________

[Name], [position]  Specimen Signature: ________________

[Name], [position]  Specimen Signature: ________________

Yours truly,

/ signed /

[Position]
Terms and Conditions of Use of Secure Identification Devices  
in connection with Use of Electronic Means 
to Process Applications 
and Supporting Documentation

January 20, 2010

The World Bank (Bank)\(^6\) will provide secure identification devices (Tokens) to permit the Borrower\(^7\) to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.

2. Each Signatory must register as a user on the Bank’s Client Connection (CC) website (https://clientconnection.worldbank.org) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.

2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.

3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.

4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal

\(^6\) “Bank” includes IBRD and IDA.
\(^7\) “Borrower” includes the borrower of an IBRD loan, IDA credit, or Project Preparation Facility advance and the recipient of a grant.
identification number (PIN) to be used in connection with the use of his/her Token, after which
the Token will be initialized for use by the Signatory exclusively for purposes of delivering
Applications. Upon initialization of the Token, the Signatory will be a “Token User”. The Bank
will maintain in its database a user account (Account) for each Token User for purposes of
managing the Token of the Token User. Neither the Borrower nor the Token User will have any
access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall
ensure that the Token User has received training materials provided by the Bank in use of the
Token.

6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.

2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the
manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other
use of the Token is prohibited.

3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the
Token User, other representatives of the Borrower, or third parties.

4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation
and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User)
that each Token User is provided, understands and will abide by, these Terms and Conditions of
Use, including without limitation the following:

Security

4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in
written or other form.

4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application
to the Bank.

4.3. The Token User shall always logout from CC when not using the system. Failure to
logout properly can create a route into the system that is unprotected.

4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token
he/she shall immediately notify clientconnection@worldbank.org.

4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of
any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens
are disabled immediately.

Care of Tokens

The Bank will:

1. Keep the Token User informed of all events which may affect the security of the Token.
2. Provide additional training materials to the Token User as may be required.
3. Notify the Token User immediately if the Token has been lost, stolen or compromised.
4. Take necessary steps to secure the Token in the event of a security breach.

The Token User will:

1. Report any loss, theft or compromise of the Token to the Bank.
2. Take reasonable steps to prevent unauthorized use of the Token.
3. Keep the Token in a secure place at all times.
4. Not share the PIN with anyone.

Failure to comply with these obligations may result in the Token being disabled immediately.

The Bank reserves the right to disable the Token if it determines that further use would create a
security risk.
Statement of Expenditures (SOE)

Payments made during the period from __________ to __________

Date: __________

Application No.: __________

IDA Grant: __________

SOE No.: __________

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Category No. (***)</th>
<th>Currency and Total Amount of Contract</th>
<th>Currency and Total Amount of Invoice Covered by Application (Net of Retention)</th>
<th>Eligible % from Grant Agreement</th>
<th>Amount Eligible for Financing (4 x 5)</th>
<th>Currency and Amount Paid from Designated Account (if Applicable)</th>
<th>Exchange Rate (Col. 7 divided by Col. 6)</th>
<th>Remarks</th>
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Supporting documents for this SOE retained at ______________ (insert location)

(*) A separate SOE form should be used for retroactive financing
(***) Items should be grouped by category; or alternatively, a separate SOE form may be used for each category
## Payments Made during Reporting Period
Against Contracts Subject to the Association’s Prior Review

<table>
<thead>
<tr>
<th>Contract Number</th>
<th>Supplier</th>
<th>Contract Date</th>
<th>Contract Amount</th>
<th>Date of Association’s No-Objection to Contract</th>
<th>Amount Paid to Supplier during Period</th>
<th>Association’s Share of Amt Paid to Supplier during Period</th>
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DESIGNATED ACCOUNT RECONCILIATION STATEMENT

CREDIT NUMBER ____________
ACCOUNT NUMBER ____________ WITH (BANK) ________________

1. TOTALADVANCEDBYWORLDBANK (ORCOFINANCIER) $______________
2. LESS: TOTALAMOUNTRECOVEREDBYWORLDBANK - $______________
3. EQUALS PRESENT OUTSTANDING AMOUNT ADVANCED TO 
THE DESIGNATED ACCOUNT (NUMBER 1 LESS NUMBER 2) = $______________

==============================================================================

4. BALANCE OF DESIGNATED ACCOUNT PER ATTACHED BANK 
STATEMENT AS OF DATE ________________ $______________
5. PLUS: TOTAL AMOUNTCLAIMED IN THIS 
APPLICATION NO. ________________ + $______________ *
6. PLUS: TOTAL AMOUNT WITHDRAWN AND NOT YET CLAIMED 
REASON: ________________ + $______________ *
7. PLUS: AMOUNTSCLAIMED IN PREVIOUS APPLICATIONS 
NOT YET CREDITED AT DATE OF BANK STATEMENTS 

<table>
<thead>
<tr>
<th>APPLICATION NO.</th>
<th>AMOUNT *</th>
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SUBTOTAL OF PREVIOUS 
APPLICATIONS NOT YET CREDITED + $______________

8. MINUS: INTEREST EARNED - $______________ *
9. TOTAL ADVANCE ACCOUNTED FOR (NO. 4 THROUGH NO. 9) = $______________
10. EXPLANATION OF ANYDIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 9:

==============================================================================

11. DATE: ________________ SIGNATURE: ________________ 

TITLE: ________________

* ALL ITEMS SHOULD BE INDICATED ON THE BANK STATEMENT
For Internal Distribution only

Prepared by: Thao L. Nguyen, CTRFC

Cleared with and cc:  
Ms. Janelle Plummer, EASTS  
Ms. Kannethee Danaisawat, EAPFM

cc:  
Mr. Roch Levesque, LEGES