October 14, 2010

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

Excellency:

Re: CAMBODIA: Strategic Climate Fund Trust Fund: Grant No.TF 097459
Preparation of a Strategic Pilot Program for Climate Resilience Project Phase I

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 ("World Bank"), acting as implementing agency of the Pilot Program for Climate Resilience Trust Fund (PPCR), proposes to extend to the Recipient a grant in an amount not to exceed one million and five hundred thousand United States Dollars ($1,500,000 ("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. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds 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 specified by the World Bank in accordance with Section 4.01 of the Annex to this Agreement.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Annette Dixon
Annette Dixon
Country Director for Cambodia
South East Asia
Enclosures:

(2) Disbursement Letter dated October 14, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Strategic Climate Fund Trust Fund Grant No. TF 097459

ANNEX

Article I
Standard Conditions; Definitions

1.01. Standard Conditions. The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 1, 2008 ("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 Section.

(a) "Cambodia Climate Change Alliance" means the program supported by the European Union and others addressing climate resilience in Cambodia.

(b) "National Climate Change Committee" or NCCC means the national committee of the Recipient which coordinates climate change matters.

(c) "National Program for Sub National Democratic Development" means the program for the development of democratic institutions of local governance, both political and administrative.

(d) "Strategic Environment and Social Assessment" or "SESA" means the instrument through which policies, programs and projects would be reviewed for their environmental and social impacts.

(e) "Strategic Program for Climate Resilience" means the program of investments and capacity building which will mainstream climate resilience into Cambodia’s development policies, plans and projects.

Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to mainstream climate resilience into national and sub-national development policies, plans and projects supported by scaled up financing of adaptation activities in the key development sectors and underpinned by (i) strengthened participation and coordination among stakeholders, (ii) science-based adaptation planning, and (iii) enhanced links between adaptation and disaster risk reduction measures. The Project consists of the following parts:

Part A. Mainstreaming Climate Resilience into National Development Planning

Supporting the Recipient to mainstream climate resilience into national sectoral plans, budget and public and private investment project design through the development of a policy paper on implementing climate adaptation objectives and activities, provision of training and workshops, and integrating climate screening tools in environmental assessments for projects.

Part B. Sub-national Mainstreaming of Climate Resilience

Carrying out a program of activities aimed at mainstreaming climate change in local governance, development and natural resources management through providing inputs into a 3 years implementation plan for the Recipient's National Program for Sub National Democratic Development on climate change inclusion in relevant investment windows, developing and
testing climate risk screening tools and guidelines on climate proofing and providing funding for climate resilience in selected highly vulnerable provinces.

Part C. Strengthening Civil Society and Private Sector Engagement and Gender Considerations in Climate Change Adaptation

Carrying out a program of activities aimed at strengthening the engagement of civil society and private sector in climate change adaptation agenda through assessing the capacity needs of the civil society for involvement, integrating gender concerns in climate change adaptation and examining potential opportunities for private sector engagement in climate change.

Part D. Science-Based Adaptation Planning

Carrying out a program of activities aimed at ensuring that scientific information for climate risk management is readily accessible to the application level in an efficient and consistent manner through compiling a report on needs assessment and design of expanded and upgraded agro meteorological and hydrological monitoring stations and mechanisms for dissemination of climate and weather forecast, conducting a vulnerability and adaptation assessments in key sectors of the Recipient’s selected provinces for enhanced understanding of sectoral impacts and economics of climate change adaptation measures and identification of available climate resilience decision supporting tools.

Part E. Outreach and Preparation of Phase 2 of the Pilot Program on Climate Resilience and Strategic Program for Climate Resilience

Carrying out a program of activities aimed at supporting the Recipient in preparing for Phase II of this Project and the Strategic Program for climate Resilience through the development of a web-based platform for improved access to climate data, outlining a public and private investment program on priority sectors and preparing an assessment to screen and scope out proposed policies, programs and projects and review their environmental and social sustainability.

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 its Ministry of Environment 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 (“Anti-Corruption Guidelines”) with the modifications set forth in Section I of the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) To ensure proper implementation of the Project, the Recipient shall,

(i) Establish by no later than September 30, 2010 and thereafter maintain throughout the period of Project implementation, an Inter-agency Steering Committee, chaired by the Recipient’s Minister of Economy and Finance with Minister of Environment serving as vice-chair and with representatives from participating line Ministries, acceptable to the World Bank, charged with the responsibility to ensure coordination with the Cambodia Climate Change Alliance and other relevant climate change initiatives;

(ii) Establish by no later than September 30, 2010 and thereafter maintain throughout the period of Project implementation, a National Climate Change Technical Team (NCCTT) under the NCCC with the responsibility to advise the Inter Agency Steering Committee
on technical and program issues, ensure access to the views of the society and be the dissemination channel for awareness raising and knowledge sharing and provided with sufficient resources and competent staff in adequate numbers under terms of reference satisfactory to the World Bank; and

(iii) Select and engage throughout the Project implementation the services of a Program Manager with overall responsibility for the implementation of the activities under the Project and with qualifications and terms of reference acceptable to the World Bank.

(b) **Safeguards:**

(i) The Recipient shall, by not later than September 30, 2011, undertake a Strategic Environmental and Social Assessment (SESA) under terms of reference satisfactory to the World Bank which, among other objectives, will: (a) identify, predict and evaluate the potential environmental and social sustainability impacts resulting from the mainstreaming of the Strategic Framework for Climate Resilience; and (b) identify and recommend measures for monitoring and mitigating such impacts.

(ii) The Recipient shall ensure that the SESA shall be disclosed in-country and in the World Bank's Infoshop within 90 days of its completion.

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 Strategic Climate Trust Fund 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(s) to visit the project sites 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 indicators agreed with the World Bank. Each Project Report shall cover the period of twelve (12) months, and shall be furnished to the World Bank not later than one (1) month after the end of the 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 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 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 the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each period shall be furnished to the World Bank not later than six months after the end of such period.
2.07. **Procurement**

(a) **General.** All goods and 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 under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;


(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 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(i) Except as otherwise provided in sub-paragraph (ii) below, goods 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 for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding subject to procedures listed in Schedule 1 to this Annex</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(d) <strong>Particular Methods of Procurement of Consultants’ Services</strong></td>
</tr>
</tbody>
</table>

(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 may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Selection Based on the Consultants’ Qualification</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>
(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.

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, consultants’ services including audits, Incremental Operating Costs and Training and Workshops</td>
<td>1,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,500,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this Section 3.01, the words:

“Training and Workshops” means training and workshops conducted in the territory of the Recipient, and study tours abroad, on the basis of annual plans and budgets acceptable to the World Bank, including, inter alia, purchase and publication of materials, rental of facilities, course fees, and travel, accommodation and subsistence of trainees.

“Incremental Operating Costs” means reasonable expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), including consumable materials and supplies, communications and printing services, vehicle rental, vehicle maintenance, maintenance of offices, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, postage and handling, and travel, accommodation and per diems, but excluding salaries of officials of the Recipient’s civil service.

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, except that withdrawals up to an aggregate amount not to exceed $5,000 equivalent may be made for payments made prior to this date but on or after August 1, 2010 for Eligible Expenditures.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is January 31, 2012.
Article IV
Effectiveness

4.01. This Agreement shall not become effective until the Recipient has appointed a Financial Management Officer with appropriate experience and qualifications and under terms of reference acceptable to the World Bank.

Article V
Other Undertakings


5.02. Unless otherwise agreed to between the Recipient and the World Bank, and for the purposes of Section 2.07 to this Agreement, the Recipient shall use the services of a procurement agent engaged by the MEF under terms of reference satisfactory to the World Bank for all procurement to be undertaken under the Project except: selection of individual consultants, selection of NGOs, procurement of goods estimated to cost less than $50,000 equivalent per contract, procurement of works estimated to cost less than $100,000 equivalent per contract, and procurement financed by sources other than the World Bank, including by the Recipient, which will not be undertaken through the procurement agent but by the Recipient.

Article VI
Access to Information

6.01. The World Bank may disclose this Grant Agreement and any information related to the Grant Agreement in accordance with its policy on access to information, in effect at the time of such disclosure.

Article VII
Recipient's Representative; Addresses

7.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Economy and Finance.

7.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Economy and Finance
Street 92, Sang Kat Wat Phnom
Phnom Penh
Kingdom of Cambodia

Facsimile:

855-23-427798
855-23-430241
7.03. **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: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
SCHEDULE 1

National Competitive Bidding Procedures

The procedure to be followed for National Competitive Bidding shall be those set forth in the Sub-decree 14 on Promulgating of the Standard Procedure for Implementing the World Bank and the Asian Development Bank Assisted Projects dated February 26, 2007 and relevant provisions of the Royal Government of Cambodia Externally Assisted Project Procurement Manual for Goods, Works and Services with modifications set forth below in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Guidelines for Procurement under IBRD Loans and IDA Credits published by the World Bank in May 2004 and revised in October 2006 and May 2010 (the Guidelines) as required by paragraph 3.3 and 3.4 of the Guidelines.

1. Eligibility

The eligibility of bidders shall be as defined under Section I of the Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the World Bank for reasons other than those provided in Section I of the 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. Qualification Criteria

The assessment of the qualification of a bidder shall be conducted separately from the technical and commercial evaluation of the bid and in strict adherence to the qualification criteria that shall be clearly specified in the bidding documents. Such assessment shall only take into account a 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.

3. Bid Submission, Bid Opening and Bid Evaluation

(a) 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.

(a) 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.

(c) 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.

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

4. Complaints by Bidders and Handling of Complaints

The Recipient shall implement the complaint handling mechanism in accordance with Section 7 of the above mentioned Procurement Manual.
5. Fraud and Corruption

The World Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank.

6. Right to Inspect/Audit

Each bidding document and contract financed from the proceeds of the Financing 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.
APPENDIX

Modifications to the Anti-Corruption Guidelines

Section I. The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

"...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

"...(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines."
15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders."