
LOAN NUMBER 2376-CAM(SF);

GRANT NUMBER 0092-CAM(SF)

FINANCING AGREEMENT
(Special Operations)

(Tonle Sap Lowlands Rural Development Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 18 FEBRUARY 2008

FAS:CAM 37287

**FINANCING AGREEMENT
(Special Operations)**

FINANCING AGREEMENT dated 18 February 2008 between the KINGDOM OF CAMBODIA (the "Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Beneficiary has applied to ADB for a loan and a grant for the purposes of the Project described in Schedule 1 to this Financing Agreement; and

(B) ADB has agreed to provide financing by making a loan and a grant to the Beneficiary from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations and Grant Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to the Loan made pursuant to this Financing Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) The term "Loan Agreement", wherever it appears in the Loan Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Borrower", wherever it appears in the Loan Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.02. All provisions of the Special Operations Grant Regulations of ADB, dated 7 February 2005 (the "Grant Regulations"), are hereby made applicable to the Grant made pursuant to this Financing Agreement with the same force and effect as if they were fully set forth herein subject, however, to the following modifications:

(a) The term "Grant Agreement", wherever it appears in the Grant Regulations, shall be substituted by the term "Financing Agreement".

(b) The term "Recipient", wherever it appears in the Grant Regulations, shall be substituted by the term "Beneficiary" as defined in the opening paragraph of this Financing Agreement.

Section 1.03. The definitions set forth in the Loan Regulations and Grant Regulations are applicable to this Financing Agreement, in each case unless the context requires otherwise. In addition, the following terms have the following meanings:

- (a) "CCS" means commune council supporter;
- (b) "CDF" means commune development fund;
- (c) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);
- (d) "FWUC" means farmer water user committee;
- (e) "FWUG" means farmer water user group;
- (f) "Goods" means equipment and materials to be financed out of the proceeds of the Loan and Grant, and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (g) "IA" means implementing agency;
- (h) "IEE" means Initial Environmental Examination;
- (i) "MAFF" means the Beneficiary's Ministry of Agriculture, Forestry and Fisheries and any successor thereto;
- (j) "MEF" means the Beneficiary's Ministry of Economy and Finance and any successor thereto;
- (k) "MOE" means the Beneficiary's Ministry of Environment and any successor thereto;
- (l) "MOI" means the Beneficiary's Ministry of Interior and any successor thereto;
- (m) "MOWA" means the Beneficiary's Ministry of Women's Affairs and any successor thereto;
- (n) "MOWRAM" means the Beneficiary's Ministry of Water Resources and Meteorology and any successor thereto;
- (o) "MRD" means the Beneficiary's Ministry of Rural Development and any successor thereto;
- (p) "O&M" means operations and maintenance;

- (q) "Participating Provinces" means those three (3) provinces which will participate in the Project, namely Kampong Chhnang, Kampong Thom and Pursat;
- (r) "Participating Commune" or "Participating Communes" means those communes that (i) have been agreed upon by the Beneficiary and ADB for inclusion in the Project, and (ii) which are located in the Participating Provinces;
- (s) "PAWPB" means Project Annual Work Plan and Budget;
- (t) "PDA" means the provincial level Department of Agriculture and the Fisheries Administration within MAFF and any successor thereto;
- (u) "PDOE" means provincial level Department of Environment within MOE and any successor thereto;
- (v) "PDRD" means the provincial level Department of Rural Development within MRD and any successor thereto;
- (w) "PDWRAM" means the provincial level Department of Water Resources and Meteorology within MOWRAM and any successor thereto;
- (x) "PLAU" means Provincial Local Administration Unit within MOI and any successor thereto;
- (y) "PMO" means Project Management Office;
- (z) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);
- (aa) "Procurement Plan" means the procurement plan for the Project dated October 25, 2007 and agreed between the Beneficiary and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (bb) "Project Executing Agency" or "EA" for the purposes of, and within the meaning of, the Loan Regulations and the Grant Regulations means MOWRAM which is responsible for the carrying out of the Project;
- (cc) "Project facilities" means civil works to be reconstructed or built, irrigation infrastructure or systems to be rehabilitated or upgraded, rural roads, bridges and ford crossings to be rehabilitation or provided, and the equipment to be purchased pursuant to this Financing Agreement;
- (dd) "RF" means the Resettlement Framework prepared for the Project and endorsed by the Beneficiary on 7 September 2007;
- (ee) "RP" means any Resettlement Plan that may be prepared during the Project in accordance with the requirements of the RF;

- (ff) "Subproject" means those activities which will be funded by the Loan or Grant proceeds and implemented by (i) Participating Communes using the CDF; or (ii) the relevant ministry for activities within that ministry's mandate and which are included in the PAWPB; and
- (gg) "Works" means construction or civil works to be financed out of the proceeds of the Loan and Grant, including services such as drilling or mapping, and Project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan and the Grant

Section 2.01. ADB agrees to provide to the Beneficiary from ADB's Special Funds resources, on terms and conditions set forth in this Financing Agreement:

- (a) a loan in various currencies equivalent to six million four hundred and sixty-six thousand Special Drawing Rights (SDR 6,466,000) (the "Loan"); and
- (b) a grant in the amount of nine million nine hundred thousand dollars (\$9,900,000) (the "Grant").

Section 2.02. (a) The Loan proceeds shall be withdrawn from the Loan Account in accordance with the provisions of Schedule 3A to this Agreement for purposes of partially financing Project expenditures; and

(b) The Grant proceeds shall be withdrawn from the Grant Account in accordance with the provisions of Schedule 3B to this Agreement for purposes of partially financing Project expenditures.

Section 2.03. (a) The Beneficiary shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.04. The interest charge and any other charge on the Loan shall be payable semiannually on 1 May and 1 November in each year.

Section 2.05. The Beneficiary shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Financing Agreement.

Section 2.06. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Section 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan and the Grant

Section 3.01. The Beneficiary shall cause the proceeds of the Loan and the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Financing Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the Grant and the respective allocation of amounts of the Loan and the Grant among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3A and Schedule 3B, respectively, to this Financing Agreement, as such Schedule 3A and Schedule 3B may be amended from time to time by agreement between the Beneficiary and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan and the Grant shall be procured in accordance with the provisions of Schedule 4 to this Financing Agreement.

Section 3.04. Withdrawals from the Loan Account and the Grant Account in respect of goods and services shall be made only on account of expenditures relating to

- (a) goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) goods and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2015 or, in each case, such other date as may from time to time be agreed between the Beneficiary and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Beneficiary shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Financing Agreement.

Section 4.02. (a) The Beneficiary shall (i) maintain, or cause to be maintained, separate accounts for the Project, including separate accounts for the Loan and the Grant; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 (six) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and the Grant proceeds and compliance with the financial covenants of this Financing Agreement as well as on the use of the procedures for imprest account/statement of expenditures, all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Beneficiary shall enable ADB, upon ADB's request, to discuss the Beneficiary's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Beneficiary pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Beneficiary unless the Beneficiary shall otherwise agree.

Section 4.03. The Beneficiary shall enable ADB's representatives to inspect the Project, the Goods financed out of the proceeds of the Loan and the Grant, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. The following are specified as additional conditions to the effectiveness of this Financing Agreement for the purposes of Section 9.01(f) of the Loan Regulations and Section 9.01(e) of the Grant Regulations:

(a) the Beneficiary shall have established the PSC as described in paragraph 3 of Schedule 5 to this Financing Agreement; and

(b) the Beneficiary shall have established the PMO and the Project Director shall have been appointed, as described in paragraph 4 of Schedule 5 to this Financing Agreement.

Section 5.02 A date ninety (90) days after the date of this Financing Agreement is specified for the effectiveness of the Financing Agreement for the purposes of Section 9.04 of the Loan Regulations and Section 9.04 of the Grant Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Economy and Finance of the Beneficiary is designated as representative of the Beneficiary for the purposes of Section 11.02 of the Loan Regulations and Section 11.02 of the Grant Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations and Section 11.01 of the Grant Regulations:

For the Beneficiary

Ministry of Economy and Finance
Royal Government of Cambodia
Phnom Penh, Cambodia

Facsimile Numbers:

(855-23) 428-424
(855-23) 430-224

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2231

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Financing Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

KINGDOM OF CAMBODIA

By 

H.E. KEAT CHHON
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The impact of the Project is to improve livelihoods in the Participating Provinces with improved quality and coverage of rural infrastructure and new opportunities arising from the application of new skills in on-farm and off-farm enterprises. The Project components are as follows.

Component 1: Improvement of Rural Infrastructure

A. Improvement and Development of Social Infrastructure

Provision of block grants to commune councils for development, rehabilitation or upgrading of small-scale infrastructure, including, but not limited to, civil works for (i) village markets and other commercial support infrastructure, (ii) communal grain dryers, (iii) rural roads, including drainage, bridges and culverts, (iv) commune council buildings, (v) village water supply and sanitation schemes, (vi) small scale irrigation schemes, and (vii) classrooms at existing schools.

B. Improvement of Agricultural Water Management Infrastructure

Rehabilitation of small water management subprojects covering about 9,600 hectares and the formation, strengthening and capacity building of FWUCs and FWUGs for sustainable O&M.

C. Improvement of Rural Roads

Rehabilitation of approximately 230 kilometers of rural roads, including resurfacing and spot repairs, and provision of bridges and ford crossings and organization and training of rural road maintenance committees, including provision of basic road maintenance tools.

Component 2: Rural Livelihoods Improvement and Employment Options Enhancement

The Project will support (i) intensification of rain fed and irrigated agriculture through: (a) organization of farmer groups for technology dissemination, mutual learning and support, and access to financial services, (b) identification and development of appropriate technology improvement packages, including aquaculture, with the establishment of demonstration farms and training of farmers, and (c) facilitating farmer groups' access to existing rural financial institutions for farm credit; and (ii) development of off-farm livelihoods through (a) organization of solidarity groups for development of small-scale business enterprises, (b) identification of market opportunities and viable business activities, (c) training for development of technical skills and business management and recordkeeping, and (d) assistance in development of business plans and facilitating access to existing financial services.

Component 3: Project Management

Support of coordination and day-to-day Project management through (i) capacity strengthening at the EA, IAs, and commune council level with provision for a limited number

of incremental technical staff at selected offices, (ii) provision of equipment and facilities and (iii) provision of supervision vehicles.

2. The Project also includes provision of consulting services, training courses and training materials. The Project is expected to be completed by 31 December 2014.

SCHEDULE 2

Amortization Schedule (Tonle Sap Lowlands Rural Development Project)

Date Payment Due	Payment of Principal (expressed in SDR)*
01-May-2016	134,708.00
01-Nov-2016	134,708.00
01-May-2017	134,708.00
01-Nov-2017	134,708.00
01-May-2018	134,708.00
01-Nov-2018	134,708.00
01-May-2019	134,708.00
01-Nov-2019	134,708.00
01-May-2020	134,708.00
01-Nov-2020	134,708.00
01-May-2021	134,708.00
01-Nov-2021	134,708.00
01-May-2022	134,708.00
01-Nov-2022	134,708.00
01-May-2023	134,708.00
01-Nov-2023	134,708.00
01-May-2024	134,708.00
01-Nov-2024	134,708.00
01-May-2025	134,708.00
01-Nov-2025	134,708.00
01-May-2026	134,708.00
01-Nov-2026	134,708.00
01-May-2027	134,708.00
01-Nov-2027	134,708.00
01-May-2028	134,708.00
01-Nov-2028	134,708.00
01-May-2029	134,708.00
01-Nov-2029	134,708.00
01-May-2030	134,708.00
01-Nov-2030	134,708.00
01-May-2031	134,708.00
01-Nov-2031	134,708.00
01-May-2032	134,708.00
01-Nov-2032	134,708.00
01-May-2033	134,708.00
01-Nov-2033	134,708.00
01-May-2034	134,708.00
01-Nov-2034	134,708.00
01-May-2035	134,708.00
01-Nov-2035	134,708.00
01-May-2036	134,708.00
01-Nov-2036	134,708.00

Date Payment Due	Payment of Principal (expressed in SDR)*
01-May-2037	134,708.00
01-Nov-2037	134,708.00
01-May-2038	134,708.00
01-Nov-2038	134,708.00
01-May-2039	134,708.00
01-Nov-2039	134,724.00
Total	6,466,000.00

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3A**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 3 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Beneficiary, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Beneficiary, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Beneficiary shall (i) establish immediately after the Effective Date, an imprest account for the Loan proceeds at a commercial bank acceptable to ADB, with authorization to MOWRAM representatives to utilize the imprest account; and (ii) cause each of the IAs to establish, immediately after the Effective Date, a Second Generation Imprest Account (SGIA) for Loan proceeds at a commercial bank acceptable to ADB. These SGIAs shall be under the authority of the PDWRAM and PDRD in each Participating Province. The imprest account and each of the SGIAs shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Beneficiary and ADB. The currency of the imprest account shall be dollars. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Beneficiary and ADB. Any individual contract to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$50,000.

Condition of Withdrawals from Loan Account

7. Notwithstanding any other provision of this Financing Agreement, the Beneficiary shall ensure that no disbursement of Loan proceeds is made:

- (i) to a Participating Province if a misprocurement has occurred or other procurement action by the specified Participating Province has been identified as irregular until such misprocurement or other irregularity has been corrected by the concerned Participating Province to the satisfaction of the Beneficiary and ADB; or
- (ii) to an IA if a misprocurement has occurred or other procurement action in the specified IA has been identified as irregular until such misprocurement or other irregularity has been corrected by the concerned IA to the satisfaction of the Beneficiary and ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Tonle Sap Lowlands Rural Development Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated SDR Category	Percentage and Basis for Withdrawal from the Loan Account
1	Civil Works	5,762,000	90 percent of total expenditure
2	Interest During Implementation	237,000	100 percent of amounts due
3	Unallocated	467,000	
	Total	6,466,000	

SCHEDULE 3B**Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category..)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Beneficiary, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Beneficiary, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Beneficiary shall (i) establish immediately after the Effective Date, an imprest account for the Grant proceeds at a commercial bank acceptable to ADB, with authorization to MOWRAM representatives to utilize the imprest account; and (ii) cause each of the IAs to establish, immediately after the

Effective Date, a Second Generation Imprest Account (SGIA) for Grant proceeds at a commercial bank acceptable to ADB. These SGIAs shall be under the authority of the PDWRAM, PDRD, PLAU, and PDA in each Participating Province. The imprest account and each of the SGIAs shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Beneficiary and ADB. The currency of the imprest account shall be dollars. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Beneficiary and ADB. Any individual contract to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$50,000.

Condition of Withdrawals from Grant Account

6. Subsequent to the initial release by MOWRAM of \$1,000 to a CDF account for the CCS salary and other overhead costs, and notwithstanding any other provision of this Financing Agreement, the Beneficiary shall ensure that no disbursement of Grant proceeds is made:

- (i) to a Participating Commune until a CDF-funded Subproject has been included in the PAWPB, and the actions described in paragraphs 9 and 10 of Schedule 5 of this Financing Agreement have been completed; or
- (ii) to a Participating Commune if a misprocurement has occurred or other procurement action in the specified Participating Commune has been identified as irregular until such misprocurement or other irregularity has been corrected by the concerned Participating Commune to the satisfaction of the Beneficiary and ADB; or
- (iii) to a Participating Province if a misprocurement has occurred or other procurement action by the specified Participating Province has been identified as irregular until such misprocurement or other irregularity has been corrected by the concerned Participating Province to the satisfaction of the Beneficiary and ADB; or
- (iv) to an IA if a misprocurement has occurred or other procurement action in the specified IA has been identified as irregular until such misprocurement or other irregularity has been corrected by the concerned IA to the satisfaction of the Beneficiary and ADB.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Tonle Sap Lowlands Rural Development Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated		Percentage and Basis for Withdrawal from the Grant Account
		Category	\$ Subcategory	
1	Commune Development Fund - Block Grants	2,600,000		97 percent of total expenditure
2	Vehicles and Equipment	535,000		
2A	Vehicles and Equipment - Imported		320,000	100 percent of total expenditure*
2B	Vehicles and Equipment - Local		215,000	90 percent of total expenditure
3	Agricultural Extension and Development Support	1,616,000		90 percent of total expenditure
4	Off-Farm Enterprise Support	925,000		90 percent of total expenditure
5	Training	225,000		90 percent of total expenditure
6	Consulting Services	2,016,000		100 percent of total expenditure*
7	External Audits, Baseline and Impact Studies	593,000		90 percent of total expenditure
8	Incremental Administrative Costs	819,000		90 percent of total expenditure
9	Unallocated	571,000		
	Total	9,900,000		

* Exclusive of taxes and duties imposed within the territory of the Beneficiary.

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan and Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Financing Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

National Competitive Bidding
Shopping
Direct Contracting
Community Participation

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Beneficiary may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. **National Competitive Bidding**

The procedures to be followed for national competitive bidding shall be those set forth for the "National Competitive Bidding" method in the Beneficiary's Subdecree No. 14 of 26 February 2007 (Subdecree on Promulgating Standard Operating Procedures) with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

i. Application

Contract packages subject to National Competitive Bidding procedures will be those identified as such in the Project Procurement Plan. Any changes to the mode of procurement from those provided in the Procurement Plan shall be made through updating of the Procurement Plan, and only with prior approval of ADB.

ii. Eligibility

Bidders shall not be declared ineligible or prohibited from bidding on the basis of barring procedures or sanction lists, except individuals and firms sanctioned by ADB, without prior approval of ADB.

iii. Anticorruption

Definitions of the terms “corrupt practice”, “fraudulent practice”, “collusive practice” and “coercive practice” shall reflect the harmonized definitions given in the ADB’s *Anticorruption Policy* (1998, as amended to date).

iv. Rejection of all Bids and Rebidding

Bids shall not be rejected and new bids solicited without ADB’s prior concurrence.

v. Bidding Documents

The bidding documents provided in the Beneficiary’s Procurement Manual shall be used to the extent possible. The first draft English language version of the procurement documents shall be submitted for ADB review and approval, regardless of the estimated contract amount, in accordance with agreed review procedures (post and prior review). The ADB-approved procurement documents will then be used as a model for all procurement financed by ADB for the Project, and need not be subjected to further review unless specified in the Procurement Plan.

vi. Member Country Restrictions

Bidders must be nationals of member countries of ADB, and offered Goods and Works must be produced in and supplied from member countries of ADB.

5. Community Participation in Procurement. The Beneficiary may use community participation in procurement for Works contracts for improving social infrastructure, agricultural water management infrastructure, and rural roads, up to a maximum of \$20,000 per Subproject and a maximum of \$75,000 per Participating Commune over the life of the Project, in accordance with the agreed procedures set out in the Procurement Plan and in paragraph 9 of Schedule 5 to this Financing Agreement.

C. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Beneficiary shall apply quality- and cost-based selection for selecting and engaging consulting services.

7. The Beneficiary shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Individual Consultant selection as post-harvest management specialists and as a Tonle Sap Initiative Coordinator
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D. Industrial or Intellectual Property Rights

8. (a) The Beneficiary shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Beneficiary shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

9. The Beneficiary shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Procurement Decisions

10. All contracts procured under national competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Beneficiary and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

I. Executing and Implementing Agencies

1. As the Project Executing Agency, MOWRAM shall be responsible for implementation of Component 1B of the Project and overall Project management.
2. The PLAU in each Participating Province shall be the IA responsible for Component 1A of the Project. Approved Subprojects under Component 1A and funded by the CDF shall be implemented by Participating Communes with technical support by the appropriate IA. MRD shall be the IA responsible for implementation of Component 1C of the Project. MAFF shall be the IA responsible for implementation of Component 2 of the Project.

II. Project Implementation and Coordination

National Level

3. The Beneficiary shall establish a Project Steering Committee (PSC) to oversee and coordinate Project implementation with membership including representatives from MOWRAM, MEF, MAFF, MRD, MOI, MOE and MOWA, and chaired by the Minister, MOWRAM or his/her delegate. The PSC shall meet on a quarterly basis for the first twelve (12) months after the Effective Date and at least every six (6) months thereafter, or more frequently as needed. Within two (2) weeks after each meeting, the Beneficiary shall submit a copy of the meeting's Minutes to ADB.
4. The Beneficiary shall cause MOWRAM to establish a PMO to be responsible for Project management and act as the Secretariat for the PSC. The PMO shall be headed by a Project Director, who shall be a senior level official from MOWRAM, and staff shall include those seconded from the IAs, supported by appropriately qualified and experienced technical and accounting staff who have had experience with ADB procedures, rules and guidelines and who shall be responsible for consultant recruitment, procurement, funds withdrawal, disbursement and reimbursement. The PMO shall have four Deputy Directors, one each from MOWRAM, MRD, MOI and MAFF, who shall be responsible for management and supervision of the activities of their respective IAs.

Provincial Level

5. Within three (3) months of the Effective Date, the Beneficiary shall have caused a Provincial Coordination Committee (PCC) to have been established in each Participating Province, chaired by the provincial governor or his/her delegate, with membership consisting of the provincial directors of PDWRAM, PDA, PDRD, and provincial Department of Environment, and the Chief of the PLAU, and shall be responsible for coordination of the Project at the provincial level.

6. The Provincial Director of each IA and the Chief of the PLAU shall identify the technical staff within the IA responsible for implementing the Project at the provincial level and appoint those whose qualifications are acceptable to ADB.
7. The Beneficiary shall cause the IAs to prepare a PAWPB for consolidation by the PMO which shall then submit the PAWPB to the PSC for review and approval, with copies of the approved PAWPB furnished to ADB for its concurrence, as per paragraph 10 of this Schedule, and to MEF and each IA. The PMO shall conduct an annual midyear review and, if required, adjust the PAWPB as appropriate.

Commune Level

8. Within two (2) months of the commencement date of work by the consultants selected pursuant to the provisions of paragraph 7 of Schedule 4 to this Financing Agreement, the Beneficiary shall cause the EA to release the equivalent of \$1,000 to each Participating Commune to enable each Participating Commune to retain two CCSs to assist in preparing possible subprojects for inclusion in the Project. In order to receive such payment, and future block grants, the Participating Commune shall establish an account for the Grant proceeds at a commercial bank acceptable to ADB.

III. Subproject Selection Process

9. The Beneficiary shall ensure, through the EA and IAs, that Subprojects meeting the selection criteria as specified in paragraphs 11 through 22, inclusive, of this Schedule (or other proposed subprojects under Component 1A not identified below but approved by ADB on a case-by-case basis), are identified and selected through the decentralized planning process currently used to prepare five-year commune development plans, annual commune investment plans and annual provincial investment plans, resulting in the inclusion of the Subproject in the PAWPB. The relevant IA shall assist the Participating Communes in carrying out the pre-investment studies needed to (i) assess the feasibility of the proposed infrastructure investment; (ii) prepare the design and cost estimates; (iii) assess environmental impact, if any; (iv) assess resettlement impact, if any; and (v) prepare an O&M plan. A potential subproject shall not be approved for inclusion in the Project if it will cause significant involuntary resettlement or negative environmental impact or is located within or adjacent to environmentally sensitive areas.
10. The Beneficiary shall ensure that no eligible subproject is included in the Project until the PAWPB has been approved by the PSC and submitted to ADB for concurrence on a no-objection basis, i.e., it shall be deemed approved 30 (thirty) days after submission to ADB unless the PSC is notified otherwise.

Component 1A - Social Infrastructure Subproject Selection Criteria

11. The Beneficiary shall ensure that each Participating Commune may receive a maximum block grant up to \$75,000 equivalent deposited in a CDF for Component 1A of the Project, with the equivalent of \$20,000 as a maximum for each small scale infrastructure.

12. Village Markets and other Commercial Support Infrastructure. The Subproject may include site development, construction of covered floors for establishing shops and trading of fresh and dry produce, and provision of water supply and sanitation facilities for those markets, provided (i) the markets are conveniently located on public lands, (ii) will not require any involuntary resettlement, and (iii) rents for the use of market space are sufficient to meet all O&M costs and a portion of the investment costs and such income is then used for future expansion and rehabilitation works.
13. Communal Grain Dryers. The Subproject may support construction of community-managed grain dryers using local technology and materials, provided (i) farmers have formed village-based groups to own and operate the dryers, (ii) the group has a minimum of 15 households, and (iii) the group will contribute not less than 10% of the construction costs in cash and/or in-kind, excluding the cost of land which will be voluntarily provided by the Participating Commune.
14. Rural Roads. The Subproject may support the rehabilitation and improvement of rural roads, provided (i) the rehabilitation and improvement does not require any significant changes in road alignment, land acquisition or resettlement, (ii) local capacity within the Participating Commune is adequate to prepare the scheme and supervise the Works without substantive technical guidance and support from PDRD, (iii) the Participating Commune agrees to undertake routine maintenance of the road after its rehabilitation and improvement, and (iv) the road does not extend within 1,000 meters of the buffer zone of the Tonle Sap Biosphere Reserve.
15. Commune Council Buildings. The Subproject may support construction or rehabilitation of commune council buildings and office furniture, provided the Participating Commune has not been the recipient of similar facilities under the ADB-assisted Commune Council Development Project (CCDP) or CCDP 2. The Participating Commune must have unoccupied public land available for the building and must follow the standard design developed under CCDP.
16. Irrigation Infrastructure. The Subproject may support small-scale rehabilitation of irrigation schemes, provided (i) each scheme will benefit a minimum of ten (10) households, with at least one-third of those households living below the poverty threshold, (ii) the benefiting households form an FWUG in order to qualify for participation in subproject planning, design, implementation and O&M, (iii) the benefiting households will contribute 15% of the construction cost in cash and/or in-kind; (iv) the rehabilitation will not require complex design or heavy construction equipment, (v) the Participating Communes, with technical support from PDWRAM, are able to design and supervise the Works, and (vi) qualified local contractors/community organizations are available to undertake the Works.
17. School Class Rooms. The Subproject may select schools for which to build additional classrooms, provided (i) teachers are available for the additional classrooms, (ii) the Participating Commune has not received similar support during the previous five (5) years, (iii) the classrooms will be built on public land that is not the subject of dispute, and (iv) the Participating Commune has not been included in ADB's Education Sector Development Project or ADB's Second Education Sector Development Project.

18. Village Water Supply and Sanitation. The Subproject may support (a) the development and/or rehabilitation of dug wells, hand pumps, ponds, rainwater harvesting facilities for water supply, and (b) sanitation facilities such as rehabilitation or construction of individual household latrines, and construction of public latrines in schools and other public areas, provided the Participating Commune has not been included in ADB's Tonle Sap Rural Water Supply and Sanitation Sector Project.

Component 1B - Agricultural Water Management Subproject Selection Criteria

19. The total cost of an individual Subproject under Component 1B shall not exceed the equivalent of \$100,000.
20. The Subproject may support (a) rehabilitation of small water management subprojects, generally less than 200 hectares but with larger coverage on a case-by case basis, with a total coverage of approximately 9,600 hectares, with fully developed channels to on-farm level, and (b) formation, strengthening and capacity building of FWUG and FWUC for participatory planning, design and implementation, and sustainable O&M, provided the proposed subproject (i) has assured water availability for four out of five years for the dry season crop, (ii) has medium potential soils acceptable to the Beneficiary's soil series standards, (iii) can be certified clear of unexploded ordinance to Cambodia Mines Authority standards, (iv) has a unit development cost that does not exceed the equivalent of \$550 per hectare, including costs of survey, design, resettlement, civil works, and mitigation of environmental impacts, and (v) benefits households which will contribute 15% of the construction cost in cash and/or in-kind.

Component 1C - Rural Roads Subproject Selection Criteria

21. The total cost of an individual Subproject under Component 1C shall not exceed the equivalent of \$100,000.
22. The Subproject may support (a) rehabilitation of approximately 230 kilometers of rural roads to MRD standards for rural roads, including resurfacing and spot repairs; (b) provision of individual bridges and ford crossings, and (c) organization and training of the Participating Commune's Rural Road Maintenance Committee, including provision of basic road maintenance tools, provided the proposed subproject (i) connects villages to commune centers and to main highways, (ii) there is an adequate right of way to conform with Type B road specifications, and (iii) the road does not extend within 1,000 meters of the buffer zone of the Tonle Sap Biosphere Reserve.

IV. Environmental Management

23. The Beneficiary shall ensure that its laws and regulations governing environmental impact assessments, as well as ADB's *Environment Policy* (2002), are followed. If there is any discrepancy between the Beneficiary's laws and regulations, and ADB's *Environment Policy*, then the ADB *Policy* requirements shall apply.

24. The Beneficiary shall ensure that each IA in the Participating Provinces carries out environmental screening for all proposed subprojects to determine the environmental categorization and prepare the necessary environmental safeguard documents for inclusion in the PAWPB. The Beneficiary shall cause MOWRAM to ensure: (a) environmental assessment documents are based on the environmental screening checklists and on the sample IEE prepared during Project preparation; (b) meet ADB's *Environment Policy* requirements; (c) IEEs include details of local consultation carried out; and (d) IEEs are submitted to ADB for approval prior to commencing activities under a Works contract for a Subproject if any critical environmental issues have been identified.
25. The Beneficiary shall cause MOWRAM to ensure that the contract documents for all Works under the Project include specific measures in accordance with ADB's *Environment Policy* to mitigate negative environmental impacts caused by the construction and to give due consideration to prevention of damage to the natural environment in the design, construction, operation and maintenance of Project facilities.
26. The Beneficiary shall cause MOWRAM to (a) utilize the previously agreed upon Environmental Assessment Review Framework (EARF) to implement the Project, (b) monitor contractors' implementation of civil works, including environmental mitigation measures identified during Subproject preparation, and (c) designate its environmental officers as responsible for EARF implementation.

V. Land Acquisition and Resettlement

27. The Beneficiary shall ensure that persons affected in their land or business by the Project are compensated for any losses and that all activities are carried out in accordance with the agreed upon RF and any RP prepared in accordance with the Beneficiary's laws, regulations, and procedures, and ADB's requirements as defined in ADB's *Involuntary Resettlement Policy* (1995). In case of discrepancies between the Beneficiary's laws, regulations, and procedures and ADB's requirements, ADB's requirements shall apply. Short RPs for Subprojects shall be prepared in accordance with, and as required by, the RF and disclosed to affected persons prior to submission to ADB for review and approval. ADB's approval of an RP shall be a precondition to award of Works contracts.
28. The Beneficiary shall ensure that, in the event of a voluntary donation of land for use by a Subproject, then the voluntary nature of the donation is documented by written record and verified by an independent third party.
29. The Beneficiary shall ensure that an adequate grievance mechanism system is in place for disputes regarding compensation or other matters as a result of land acquisition or resettlement.
30. The Beneficiary shall ensure that all compensation and resettlement activities are satisfactorily completed and income restoration measures in place, in accordance with the RF, before commencement of any Works.

31. The Beneficiary shall ensure that the relevant IA or line ministry provides MOWRAM and the Interministerial Resettlement Committee (IRC) with monthly reports on any required land acquisition or resettlement. MOWRAM shall provide ADB and IRC with quarterly status reports on any land acquisition and resettlement process as part of the progress reports required by this Financing Agreement and shall provide a report immediately following completion of an RP's implementation.

VI. Independent Monitor

32. Within six (6) months of the Effective Date, the Beneficiary shall cause MOWRAM to engage an independent external monitor engaged under a terms of reference as agreed upon by MOWRAM and ADB to undertake regular in-field evaluations of RF and RP implementation with reports provided to the EA and ADB every six (6) months.

VII. Gender and Related Risks

33. The Beneficiary shall cause MOWRAM to ensure that the Gender Action Plan prepared for the Project and agreed upon by the Beneficiary and ADB is fully implemented and resources allocated in a timely manner. This includes, but is not limited to, ensuring that (i) one of the two CCSs for each Participating Commune is female; (ii) at least 30% (thirty percent) of the management committee for all groups formed under the Project (including, but not limited to, FWUG, FWUC, rural road maintenance committee, livelihood improvement group, and agricultural improvement group) are female and at least 30% (thirty percent) of all group members are female; (iii) at least 30% (thirty percent) of participants in the Project's aggregated training programs, including training in O&M, and training on matters related to entrepreneurship, are female, with a minimum 15% (fifteen percent) being female in any one training program; and (iv) there are separate meetings for men and women during proposed subproject preparation in order that women may express needs and preferred technical options.
34. The Beneficiary shall ensure that MOWRAM nominates a member of its Gender Mainstreaming Action Group as responsible for Project monitoring and assisting with implementation of the Gender Action Plan. The Beneficiary shall further ensure that at least one person in each Participating Province is nominated as a gender focal person responsible for provincial level Project monitoring and assisting with implementation of the Gender Action Plan.
35. The Beneficiary shall ensure that Works contract documents include the following provisions: (i) mandatory provisions on health, sanitation and appropriate working conditions; (ii) requirements that the contractor comply with all applicable labor laws, including elimination of gender differentiated employment conditions, wages or food rations, (iii) that it will not employ child labor in construction activities; and (iv) that a minimum of 35% (thirty-five percent) of paid unskilled laborers are women.

VIII. Ethnic Minorities

36. In the event any ethnic minorities are affected by, or are beneficiaries of, any Subproject, the Beneficiary shall ensure that the IA responsible for the Subproject prepares and implements an ethnic minorities specific actions plan for the relevant Subproject.

IX. Governance

37. The Beneficiary shall, in order to ensure transparency and good governance, and within six (6) months of the Effective Date, cause MOWRAM to have established a Project specific web site and shall publicly disclose on this web site information on how Loan and Grant proceeds are being used, presenting procurement contract awards, including for each such contract (i) the list of participating bidders, (ii) name of the winning bidder, (iii) basic details on bidding procedures adopted, (iv) amount of the contract awarded, (v) list of Goods and/or services purchased, (vi) intended and actual utilization of Loan and Grant proceeds under each contract, and (vii) the report(s) submitted by the independent external monitor as required by paragraph 32 of this Schedule. The website shall be updated within four (4) weeks after each award of contract or after submission of the external monitor's report, as applicable.
38. The Beneficiary shall cause MOWRAM to ensure that Project staff are fully knowledgeable of and comply with the Beneficiary's and ADB's procedures, including, but not limited to, procedures for (i) implementation, (ii) procurement, (iii) use of consultants, (iv) disbursement, (v) reporting, (vi) monitoring, and (vii) prevention of fraud and corruption.
39. The Beneficiary shall cause the establishment at the offices of Participating Communes of a reporting system that discloses Project information, including a public notice board displaying information on (i) the list of participating bidders for a Works contract, (ii) name of the winning bidder, (iii) basic details on bidding procedures adopted, (iv) amount of the contract awarded, and (d) list of Goods and/or services procured.
40. The Beneficiary shall cause MOWRAM to establish a Complaints and Action Task Force within the PMO to receive and resolve complains or grievances and act upon reports on the misuse of funds or other irregularities. The Beneficiary shall cause MOWRAM to, when publishing bid evaluation results, also specify that any bidder that wishes to ascertain the grounds on which its bid was not selected may request an explanation from MOWRAM or the relevant IA. MOWRAM or the relevant IA shall promptly (within 20 working days) provide an explanation of why such bid was not selected, either in writing and/or in a debriefing meeting, at the option of MOWRAM or the relevant IA. The requesting bidder shall bear all the costs of attending such a debriefing.
41. The Beneficiary shall cause MOWRAM to widely publicize the existence of the Integrity Division within ADB's Office of the Auditor General as a point of contact for allegations of fraud, corruption and abuse among ADB-financed projects or any EA or IA staff.

42. The Beneficiary shall ensure that all advances of operating expenses paid to EA or IA staff are reconciled within one (1) week of the end of each month. No further advances shall be paid until previous advances have been reconciled and cleared against documentary evidence.
43. The Beneficiary shall notify civil society organizations active in the Participating Provinces of selected events and that they are invited to observe those selected events, such as: public bid openings, contract signings, meetings to review Project progress, hand-over ceremonies for Project facilities, and others as identified by MOWRAM. All activities undertaken by the identified civil society organizations with regard to the Project shall be included in the quarterly progress reports described in paragraph 48 of this Schedule.
44. In addition to remedies available to ADB under its *Anticorruption Policy* (1998 as amended to date), Loan Regulations and Grant Regulations, the Beneficiary agrees that the following actions may also be applied in the event corrupt activities are have been investigated and confirmed to the satisfaction of ADB: notification to the EA of wrongdoing by any person associated with the Project for further appropriate action by the Beneficiary, requiring the EA or any IA to remove an individual from further involvement in the Project, and declaring a misprocurement has occurred with regard to a Participating Province, EA or IA.
- X. Counterpart Contribution and Funds
45. The Beneficiary shall ensure that all necessary counterpart funds for Project implementation at the national level are provided in a timely manner and, to such end, the Beneficiary shall make timely submissions of annual budgetary appropriation requests and take all other measures necessary or appropriate for prompt disbursement of appropriated funds to the Participating Provinces and Participating Communes during each year of Project implementation.
46. The Beneficiary shall ensure timely provision of counterpart funds in the form of exemption from taxes and duties. Counterpart funding may also be used, as needed, for clearance of unexploded ordnance (UXO) in the Project area. In the event UXO clearance is needed, the Beneficiary and MOWRAM shall remove, at its own cost, all UXOs suspected to exist on Subproject sites. Further, the Beneficiary and MOWRAM shall engage the services of a reputable and experienced mine clearance organization, acceptable to ADB, to confirm Subproject area clearance. The Beneficiary shall ensure that no activities commence under a Subproject until UXO clearance has been completed and certification to that effect has been obtained.
- XI. Reporting
47. The Beneficiary shall ensure that the IAs in each Participating Province and the EA prepare monthly financial reports for submission to the PMO by the 15th day of the following month.
48. The Beneficiary shall ensure that the IAs in each Participating Province and the EA prepare quarterly progress reports for submission to the PMO within fifteen (15) days

of the end of each quarter for consolidation and reporting to ADB. The PMO shall (i) collect and consolidate all Project progress reports, site reports, technical and financial reports and submit them to ADB; and (ii) second and fourth quarter progress reports shall also include findings of initial assessments of Project impact on Project beneficiaries. The quarterly report shall include: (i) a narrative description of progress made by each Project Component and the Project as a whole during the reporting period; (ii) modifications, if any, to the implementation schedule; (iii) details of land use and resettlement; (iv) implementation of the EARF; (v) major Project activities by PMO, EA and IAs; (vi) financial and procurement-related information; (vii) problems experienced and remedial actions proposed; and (viii) the work to be carried out during the upcoming reporting period. All data shall be sex-disaggregated where relevant. Progress reports shall include gender-related achievements (e.g., number and level of participation of women in meetings and committee decisions) and constraints. Quarterly reports shall be submitted to ADB, PSC, IAs and to MOWRAM's Gender Mainstreaming Action Group within thirty (30) days of the end of each quarter.

XII. Accounts and Audit

49. Without prejudice to the generality of Section 4.02 of this Financing Agreement, for purpose of audit of accounts and financial statements of the Project carried out pursuant thereto, the Beneficiary shall ensure that any independent auditors financed from proceeds of the Loan and Grant shall be selected and engaged in accordance with competitive selection procedures acceptable to ADB.
50. Without prejudice to the generality of Section 4.02 of this Financing Agreement, the Beneficiary shall ensure that a separate accounting system for Project expenditures is maintained in accordance with sound accounting principles. All Project accounts, including financial statements, statements of expenditures and account records, shall be audited annually as part of the regular audit accounts and financial statements by a single audit firm. The consolidated audit reports (in English) shall be submitted to ADB in accordance with the requirements and within they deadlines stated in Section 4.02(a) of this Financing Agreement. The audit opinion shall include: (i) an assessment of the adequacy of accounting and internal controls systems with respect to Project expenditures and other financial transactions, and to ensure safe custody of Project financed assets; (ii) a determination as to whether the Beneficiary, EA and IAs have maintained adequate documentation for all financial transactions, specifically including the SOE and imprest account procedures; and (iii) confirmation of compliance with this Financing Agreement's financial covenants and ADB requirements for financial management.

XIII. Project Performance Monitoring System (PPMS)

51. The Beneficiary shall ensure that MOWRAM operates a PPMS system throughout Project implementation to: (i) examine the Project's technical performance; (ii) evaluate delivery of Project facilities; (iii) assess achievement of the Project's objectives; and (iv) measure the Project's social, economic, financial, and institutional impacts. Socioeconomic data shall be disaggregated by income group, gender and, where applicable, ethnic group. Sex-disaggregated indicators shall be established for

PPMS, and monitoring shall be on-going to ensure activities are effectively carried out and targets reached.

52. The EA and IAs shall be responsible for carrying out PPMS activities. The PMO shall establish baseline data for each Participating Commune within six (6) months of the Effective Date or within six (6) months of selection of a commune as a Participating Commune, whichever is earlier. Baseline data for each Participating Commune shall be assembled from the Beneficiary's sources, household surveys and participatory monitoring activities. Annual PPMS reports shall be prepared by the EA and each IA for consolidation by the PMO and submission to ADB within two (2) months of the end of the reporting period.