

Project Administration Manual

Project Number: 38421
Loan and/or Grant Number:
May 2010

Kingdom of Cambodia: CREST Project - Regulatory
Impact Assessment Subproject

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Project Administration Manual Purpose and Process

The project administration manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The Economic, Social and Cultural Council (ECOSOCC) as Executing Agency and Ministry of Industry Mines and Energy (MIME), Ministry of Commerce (MOC), Ministry of Environment (MOE), and one other participating line ministry as Implementing Agencies are responsible for the implementation of the ADB financed project, as agreed jointly between the Borrower and ADB, and in accordance with Government and ADB's policies and procedures. At the request of the Government, consultants will be selected and administered by ADB in accordance with its Guidelines on the Use of Consultants by the Asian Development Bank and its Borrower. ADB staff is responsible to support implementation including compliance by ECOSOCC, MIME, MOC, MOE and one other line ministry of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Grant Negotiations the Borrower and ADB shall agree to the PAM and ensure consistency with the Grant agreement. Such agreement shall be reflected in the minutes of the Grant Negotiations. In the event of any discrepancy or contradiction between the PAM and the Grant Agreement, the provisions of the Grant Agreement shall prevail.

After ADB Board approval of the project's report and recommendations of the President (RRP) changes in implementation arrangements are subject to agreement and approval pursuant to relevant Government and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

ABBREVIATIONS

ADB	=	Asian Development Bank
EA	=	executing agency
ECOSOCC	=	Economic, Social and Cultural Council
IA	=	Implementing agency
ICB	=	international competitive bidding
MEF	=	Ministry of Economy and Finance
MIME	=	Ministry of Industry, Mines and Energy
MOC	=	Ministry of Commerce
MOE	=	Ministry of Environment
OBPR	=	Office of Better Regulatory Practice
OCM	=	Office of Council of Ministers
PAM	=	project administration manual
PIU	=	project implementation unit
QCBS	=	quality- and cost-based selection
RGC	=	Royal Government of Cambodia
SME	=	small and medium-sized enterprise
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement

I. PROJECT DESCRIPTION

A. Project's Rationale

1. The objective of the Regulatory Impact Assessment (RIA) Subproject is to enhance competition and regulatory efficiency through institutionalizing principles of good practice regulation and regulatory impact assessments within government. The RIA system would require regulators to follow national guidelines on principles of good practice and assess the impacts of all proposed regulations on business compliance costs and competition. The Subproject will include the establishment of an Office of Regulatory Impact Assessment (ORIA) within the Economic, Social and Cultural Council (ECOSOCC) at the Office of the Council of Ministers (OCM) mandated to provide advocacy information to line ministries, assist with training on RIA, and oversee the national rollout of the RIA.

B. Impact and Outcome

2. The impact of the Subproject is an expanded and diversified private sector. By the end of 2015, the subproject is expected to have increased investment and economic diversification through more robust competition in domestic markets and lowered regulatory compliance costs.

3. The outcome of the subproject will be improved business environment where the private sector operates efficiently and effectively. This will be reflected in an institutionalized regulatory review system in Government that promotes better appreciation of the costs and benefits of regulations and greater transparency.

C. Outputs

1. Output 1: Build Capacity at ORIA

4. This output will support OCM to build capacity of the ORIA at ECOSOCC. Activities include:

- (i) **Provide support for ORIA set up.** Provide assistance for developing internal business processes, internal reporting and control systems, and staff job descriptions and qualifications for each division within the ORIA. Produce national guidelines for good practice regulation, RIA guidelines and procedures, and RIA assessment templates.
- (ii) **Capacity building of staff at ORIA.** Provide in-house training to ORIA staff on internal business processes, procedures and internal control system, RIA, cost benefit analysis and other economic tools. Courses on 'train the trainers' will also be provided to ORIA staff to prepare them for outreach activities.
- (iii) **Information technology systems enhancement** Refinement and expansion of the web-based database of laws and regulations. Refinements will also be made to the internal access database for tracking RIAs.
- (iv) **ORIA products/outputs.** Assist staff to carry out knowledge products on RIA and regulatory performance in Cambodia. These include (i) Hand book on RIA practices and (ii) annual report on regulatory performance in Cambodia.
- (v) **RIA awareness and outreach activities.** This activity will work with ORIA staff to develop an action plan on awareness raising and outreach activities with line ministries, and assist line ministries to develop their action plans to implement

RIA within their ministries. Also assist with designing the linkage program with an overseas office of best practice regulation (OBPR).

2. Output 2: Support for Line Ministries' RIA Action Plans

5. This output will work with the ORIA and line ministries that voluntarily implement RIA within their ministries. Activities include in-house training on RIA procedures and guidelines, training on RIA practices, cost benefit analysis, completion of the assessment templates and technical assistance will be provided to staff to undertake RIAs on proposed new regulations, and secondments to overseas offices. Procurement of equipment to support the RIA team/unit will be provided under this component. A target of minimum 4 line ministries for participating in implementing RIA on a voluntary basis.

3. Output 3: Develop a Community of RIA Practitioners.

6. This output will have two primary focuses. First, assist ECOSOCC and the SME Secretariat (through MIME) with outreach activities and advocacy on RIA and good practice in regulation making. This will include a series of RIA awareness workshops within government, the private sector and academia, and dissemination of materials to the public and universities. Second, assist the Government to develop a critical mass of Cambodians with skills on RIA, cost-benefit analysis and other economic tools. The assistance will include a series of training workshops/retreats on RIA tools. It will also include up to 30 persons seconded to offices of better regulatory practices in other countries in the region. Participants for the training and secondments will be from RIA staff from the participating line ministries.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

Indicative Activities	Months									Who is responsible
	1	2	3	4	5	6	7	8	9	
Advance contract arrangements				x						ADB
Establish project implementation arrangements				x						ADB
ADB Board approval					x					ADB/MEF
Government legal opinion provided								x		MEF
Government budget inclusion request			x							ADB
Grant effectiveness							x			RGC/ADB
ECOSOCC endorses strategy to institutionalize RIA within the Royal government of Cambodia.				x						OCM
ECOSOCC issues decision establishing the ORIA at ECOSOCC;				x				x		OCM
RIA Action Plans									x	IAs endorse RIA action plans

ADB = Asian Development Bank, IA = implementing agency, ECOSOCC = Economic, Social and Cultural Council, MEF = Ministry of Economy and Finance, RIA = regulatory impact assessment, RCG = Royal Government of Cambodia.

DMF =design and monitoring framework, ECOSOCC = Economic, Social and Cultural Council, OBPR = office of best regulatory practice, ORIA = office of regulatory impact assessment, RIA = regulatory impact assessment.

Source: Asian Development Bank.

III. PROJECT MANAGEMENT ARRANGEMENTS

A. Project Stakeholders – Roles and Responsibilities

Project Stakeholders	Management Roles and Responsibilities
<ul style="list-style-type: none"> Executing agency ECOSOCC 	Coordinate subproject implementation with the IAs, carry out administrative and fiduciary support, and support both Government and ADB reporting requirements on the progress of subproject. A project implementation unit will be established within the EA. Responsible for establishing the Office of RIA.
<ul style="list-style-type: none"> Implementing agency 1 MIME 	To implement their RIA action plans.
<ul style="list-style-type: none"> Implementing agency 2 MOC 	To implement their RIA action plans.
<ul style="list-style-type: none"> Implementing agency 3 MOE 	To implement their RIA action plans.
<ul style="list-style-type: none"> Implementing agency 4 TBD 	To implement their RIA action plans.
<ul style="list-style-type: none"> ADB 	Administer the subproject including selection and engagement of consultants.

B. Key Persons Involved in Implementation

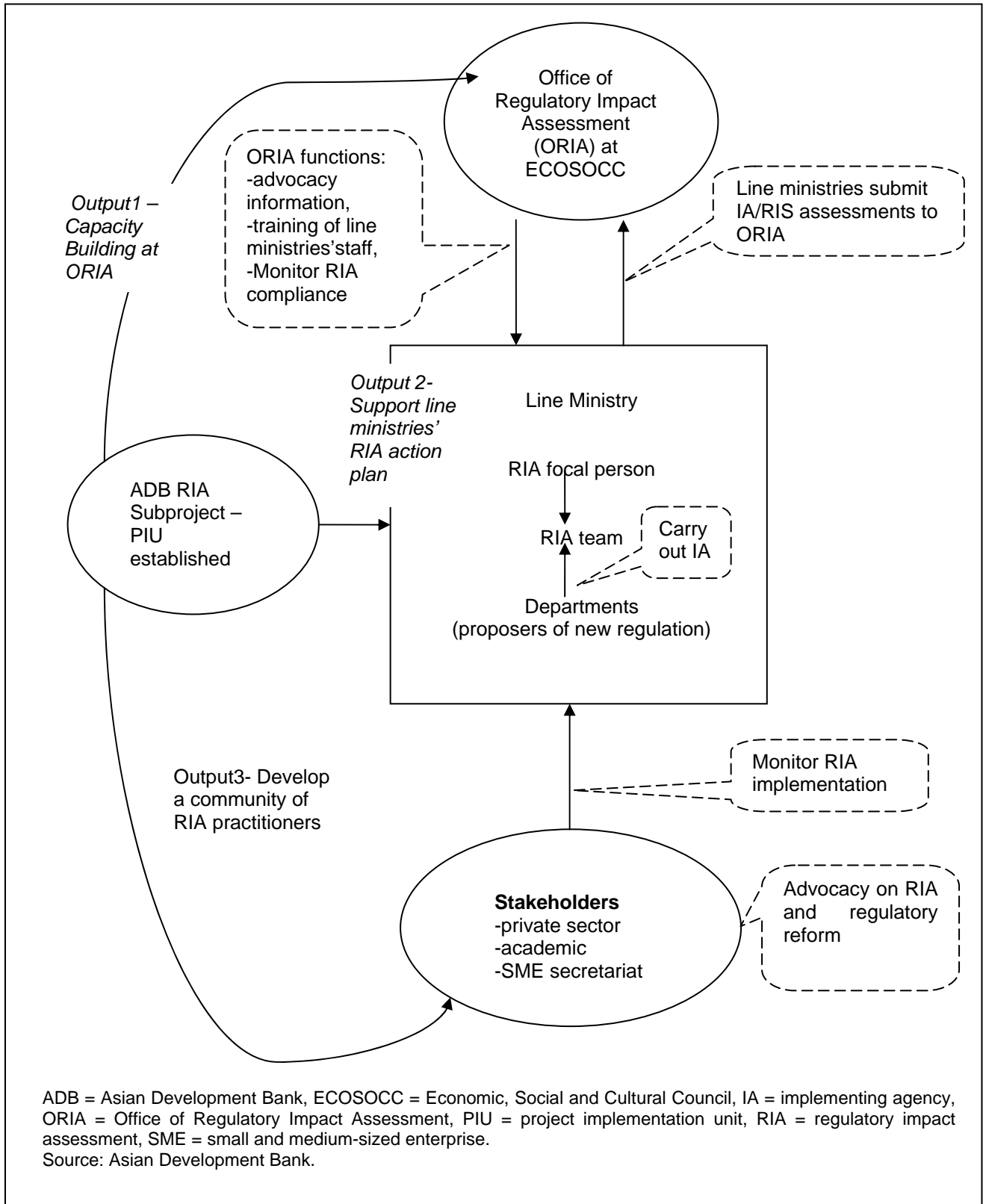
Executing Agency	
ECOSOCC	Officer's Name: Vong Sam Ang Position: Secretary General ECOSOCC, OCM Telephone: 855-92-576-578 Email address: Vong_Samang@hotmail.com Office Address: ECOSOCC, Office of The Council of Ministers, Room 225, Second Floor, East Wing, #41 Russian Federation Blvd., Phnom Penh, Cambodia
ADB Division Director	Staff Name: Jaseem Ahmed Position: Director, Financial Sector, Public Management and Trade Division (SEFM) Telephone: +632 632 6455 Email address: jahmed@adb.org
Mission Leader	Staff Name: Kelly Bird Position: Senior Economist, SEFM Telephone: +632 632 5214 Email address: kbird@adb.org

C. **Project Organization Structure**

7. ECOSOCC in the Office of the Council of Ministers will be the executing agency (EA) for this RIA Subproject. Participating line ministries (MIME, MOC, MOE, and at least one other line ministry/agency) will be the Implementing Agencies (IA). MIME will use the private sector development (PSD) Sub-Steering Committee on Small and Medium Enterprises (SME secretariat) for participating in awareness raising and advocacy of RIA. The Office of Regulatory Impact Assessment (ORIA) within ECOSOCC that will be mandated to implement RIA throughout all government operations. It will be responsible to (i) coordinate subproject implementation with the IAs, (ii) carry out administrative and fiduciary support, and (iii) support both Government and ADB reporting requirements on the progress of the Subproject. A project implementation unit (PIU) will be established within the EA.

8. **Period of Implementation.** The RIA subproject will be implemented over a period of 3 years. Project activities are scheduled to commence in the first quarter of 2011 and be completed by the first quarter of 2014. The Subproject organizational structure is depicted below.

Figure 1: Regulatory Impact Assessment (RIA) Subproject Organizational Structure



IV. COSTS AND FINANCING

9. A capacity development project for \$2,400,000 is proposed to be provided on a grant basis from ADB's Special Funds. The Government will finance \$215,000 equivalent through in-kind contributions such as accommodation and other facilities. The summary of cost estimates is in Table 1.

Table 1: Summary of Cost Estimates
(\$'000)

Component	Total Cost
A. Base Cost	
1. Consultants	940.0
2. Equipment ^a	300.0
3. Training ^b	760.0
4. Project Management Support ^c	215.0
5. Miscellaneous admin expenses	180.0
6. Other costs (taxes, duties and contract negs) ^d	30.0
Subtotal (A)	2,425.0
B. Contingencies^e	
Subtotal (B)	190.0
Total (A+B)	2,615.0

^a Project equipment include up to 40 desktop computers, 10 scanners, 8 photocopy/printers, and furniture/fixtures for the project implementation unit (PIU) of the Office of Regulatory Impact Assessment (ORIA) and each of the participating line ministries, 2 vehicles, and expansion and maintenance of the web-based database on laws and regulations, ORIA website, and ORIA internal access database.

^b Includes exposure trips: (i) 4 study tours for up to 5 government officials each to offices of better regulatory practices (OBRP) in overseas jurisdictions. Each study tour will be approximately 1 week in total; and (ii) secondments for up to 20 government officials to OBRPs and user ministries in other countries for on-job-RIA training. Each secondment would be of 3 weeks duration.

^c Government contribution in-kind such as accommodation and utilities amounting to a total \$215,000 over three years. In addition to in-kind contribution, the Government will also fund the Priority Operating Cost (POC) – PIU and RIA unit staff salary – estimated to be \$143,000 per year covering 20 PIU staff in the EA and 12 staff in the line ministries RIA units.

^d Ceiling on taxes and duties paid from the grant proceeds is \$25,000.

^e Contingencies at 7.8% for base costs.

Source: Asian Development Bank.

Table 2: Detailed Cost Estimates by Expenditure Category (\$'000)

Item		Total Cost	% of Total Base Cost
A.	Investment Cost		
1.	a. Remuneration and per diem	895.0	36.9
	Of which international	580.0	23.9
	Of which national	315.0	13.4
	b. Travel	40.0	1.6
	d. Reports	5.0	0.2
2.	a. Equipment, maintenance and furniture/fixtures ^a	150.0	6.2
	b. IT (websites, software, access database etc) ^b	100.0	4.1
	c. Vehicles	50.0	2.1
3.	a. In-house training and research assistants	120.0	4.9
	b. Workshops, seminars, retreats	320.0	13.2
	c. Exposure trips ^c	200.0	8.2
	d. Linkage program with an overseas OBRP	120.0	4.9
4.	a. Project Management Costs ^d	215.0	8.9
	b. Miscellaneous administrative Support	180.0	7.4
5.	Others (Taxes, duties and negs)	30.0	1.2
	Total Base Cost - Subtotal (A)	2425.0	100.0
B.	Contingencies^e	190.0	7.8
	Subtotal (B)	190.0	7.8
	Total Project Cost (A+B)	2615.0	107.8

^a Project equipment include up to 40 desktop computers, 10 scanners, 8 photocopy/printers, and furniture/fixtures for the PIU of the ORIA and participating line ministries.

^b Include expansion and maintenance of the web-based website database on laws and regulations, ORIA website, and ORIA internal access database, and website support for the line ministries.

^c Exposure trips include (i) 4 study tours for up to 5 government officials each to offices of better regulatory practices (OBRP in overseas jurisdictions. Each study tour will be approximately 1 week in total; and (ii) secondments for up to 20 government officials to OBRPs and user ministries in other countries for on-job-RIA training. Each secondment would be of 3 weeks duration.

^d Government in-kind contribution such as accommodation and utilities. In addition to this sum, the Government will also fund the POC estimated at \$143,000 per year.

^e Contingencies at 7.8% for base costs of \$2,425,000.

MOE = Ministry of Environment, OBPR = office best regulatory practice, ORIA = office of regulatory impact assessment, POC = priority operating cost, SME = small and medium-sized enterprise.

Source: Asian Development Bank estimates.

A. Allocation and Withdrawal of Grant Proceeds**(i) General**

10. The table under this section sets forth the Categories of Goods, consulting services and other items of expenditure 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 section is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Section is to a Subcategory or Subcategories of a Category).

(ii) Percentages of ADB Financing

11. 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 3.

(iii) Reallocation

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

- (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 Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amount 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 Recipient, reallocate such excess amount to any other category.

(iv) Disbursement Procedures

13. Except as ADB may otherwise agree, the Grant proceeds for financing Goods, consulting services and other items shall be disbursed in accordance with the Loan Disbursement Handbook.

(v) Imprest Account; Statement of Expenditures

- (a) Except as ADB may otherwise agree, the Recipient shall cause the Subproject Executing Agency to establish a project imprest account for workshop, seminars, retreats and administrative support costs 12 months after the grant becomes effective, in Dollars at a commercial bank acceptable to ADB. The initial amount to be allocated to the project imprest account will be based on the estimated expenditures to be financed from the project imprest account for the first 6 months of project

implementation, or 5% of the Grant amount, whichever is lower. The Project imprest account will be established, managed, replenished, and liquidated in accordance with ADB's Loan Disbursement Handbook, and detailed arrangements as agreed between the Recipient and ADB. The disbursements from the project imprest accounts will comply with the Recipient's disbursement tracking requirements.

- (b) ADB's statement of expenditure procedures may be used for reimbursing eligible expenditures and liquidating of advances to the project imprest accounts. The maximum payment for any individual items using these procedures is \$10,000 equivalent per individual payment.

**Table 3: Allocation and Withdrawal of Grant Proceeds
Regulatory Impact Assessment (RIA) Subproject**

Category Name	Proposed Allocation (\$'000)		% of ADB Financing
	Category		
1. Consultants			
	Output 1	500	100% of the total expenditure
	Output 2	380	100% of the total expenditure
	Output 3	60	100% of the total expenditure
2. Project Management			
	Output 1	0	0% of the total expenditure
	Output 2	0	0% of the total expenditure
	Output 3	0	0% of the total expenditure
Miscellaneous			
3. admin costs			50% of the total expenditure – administered by ADB
	Output 1	90	50% of the total expenditure – administered by the EA
			67% of the total expenditure – administered by ADB
	Output 2	60	33% of the total expenditure – administered by the EA
	Output 3	30	100% of the total expenditure
4. Capacity Development and Training			
			39% of the total expenditure – administered by ADB
	Output 1	392	61% of the total expenditure – administered by the EA
	Output 2	170	100% of the total expenditure
	Output 3	198	100% of the total expenditure
5. Equipment			
	Output 1	235 a\	100% of the total expenditure
	Output 2	90	100% of the total expenditure
	Output 3	—	100% of the total expenditure
Others (contract negs)			
6.	Output 1	5	100% of the total expenditure
	Output 2	—	
	Output 3	—	
6. Contingency			
	Output 1	100	100% of the total expenditure
	Output 2	50	100% of the total expenditure
	Output 3	40	100% of the total expenditure
TOTAL		2400	

— = no data available, ADB = Asian Development Bank. See Output definitions para. 4 to 6.
Source: Asian Development Bank.

a\ Inclusive of payment of taxes and duties up to \$25,000.

Table 4: Detailed Cost Estimates by Output/Components and Financier (\$'000)

Item	Cost	ADB			Project Outputs (\$)			Government		Project Outputs		
		\$	%of Cost Category		I	II	III	\$	%of cost category	I	II	III
A.	Investment Costs											
1.	Consultants	940	950	100	500	380	60	—	—	—	—	—
2.	a. Project Management	215	—	0	—	—	—	215	100	135	50	30
	b. Miscellaneous admin expenses	180	180	100	90	60	30	—	—	—	—	—
3.	Capacity Development and Training	760	760	100	392	170	198	—	—	—	—	—
4.	Equipment and Materials	300	300	100	210	90	—	—	—	—	—	—
5.	Others (taxes, duties, and contract nego costs)	30	30	100	30	—	—	—	—	—	—	—
	Total Base Costs (A)	2425	2210	91	1222	700	288	215	9	135	50	30
C.	Contingencies	190	190	100	100	50	40	—	—	—	—	—
	Subtotal (C)	190	190	100	100	50	40	—	—	—	—	—
	Total Project Costs (A+B+C)	2615	2400	92	1322	750	328	215	9	135	50	30
	% Total Project Costs	100	2400	92	51	29	12	8	8	5	2	1

— = no data available, ADB = Asian Development Bank.

Source: Asian Development Bank estimates.

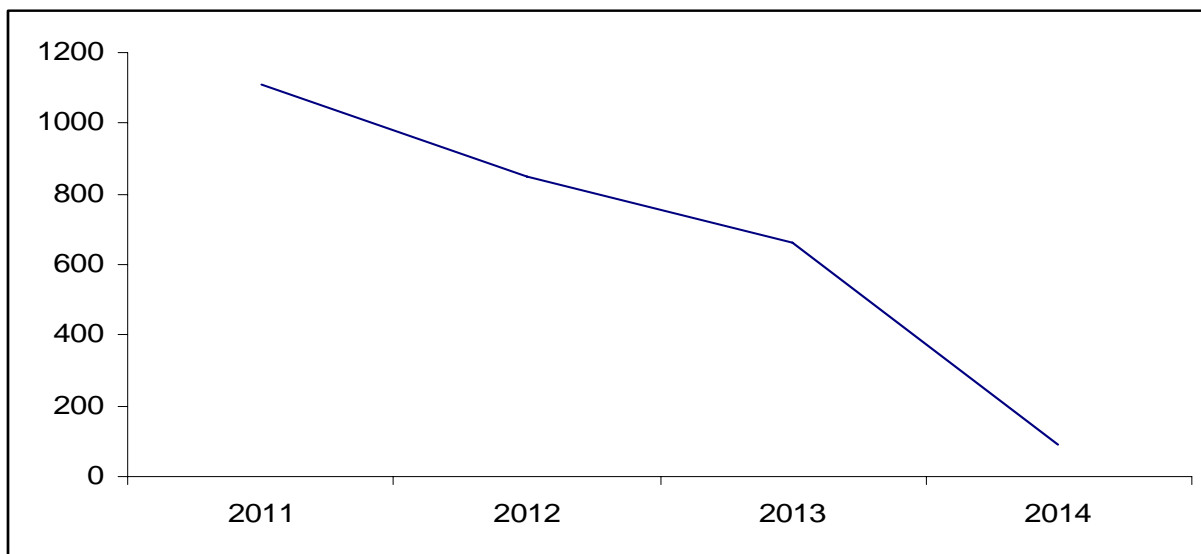
Table 5: Detailed Cost Estimates by Year (\$000s)

Item	Total Cost			
	2011	2012	2013	2014
A. Investment Cost				
1. a. Remuneration and per diem	392	308	140	54
b. Travel	17	15	5	3
c. Reports	2	1	1	1
2. a. Equipment	100	50	—	—
b. IT software (websites, access database, etc.)	80	20	—	—
c. Vehicle	50	—	—	—
3. a. In-house training and research assistants	34	43	43	—
b. Workshops	100	110	110	—
c. Exposure trips	67	67	67	—
d. Linkage program with an overseas OBRP	40	40	40	—
4. a. Project Management Costs	72	72	65	7
a. Administrative Support	60	60	50	5
5. Others (Taxes, duties, and contract negs)	30			
Total Base Cost - Subtotal (A)	1044	786	513	70
B. Contingencies	63	63	43	20
Subtotal (B)	63	63	43	20
Total Project Cost (A+B)	1107	849	664	90

— = no data available, OBPR = office of better regulatory practice, POC = priority operating cost.

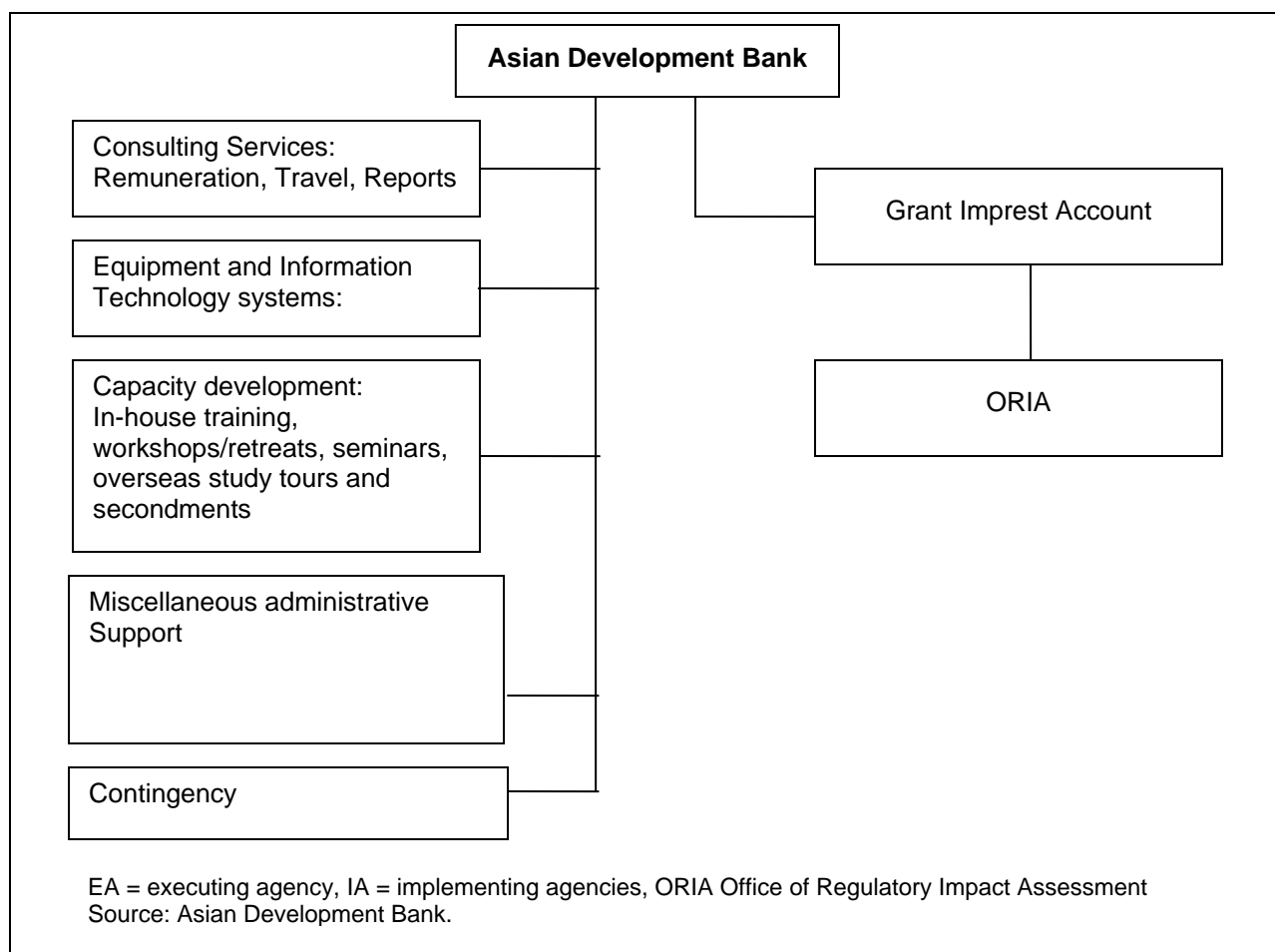
Source: Asian Development Bank.

Figure 2: Disbursement S-Curve



Source: Asian Development Bank

Figure 3: Fund Flow Diagram



V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

14. An assessment of the country's financial management systems has been carried out to improve the understanding of fiduciary risks and determine appropriate fiduciary arrangements for the purpose of the Promoting Economic Diversification Subprogram 2 (PED-SP2). This assessment was based on the sector work of ADB's proposed public financial management for rural development (PFMRD), as well as the Integrated Fiduciary Assessment and Public Expenditure Review (IFAPER) for 2003 and the Country Procurement Assessment for 2004, both led by World Bank. These assessments identified core areas to address with development partners' support. The IFAPER determined that the fiduciary risk in the use and management of public funds was high. As a consequence, the Government developed and began implementing a medium-term public financial management reform program (PFMRP) from 2004 to 2012, supported by development partners. This program increases the amount of public resources allocated to planning and management to overcome the significant weaknesses in the basic systems and processes for budget preparation, execution and control, reporting, and oversight. It comprises a series of four sequenced platforms, of which platform one was completed in 2007 and platform two beginning in 2008 with the rollout of public financial management reforms to the line ministries. ADB, World Bank, and other development partners are working closely with the Government to implement improved public sector financial management systems. ADB has supported the Government's program through debt management technical assessment (TA) at MEF and the PFMRD to support the rollout of the second platform.

15. Financial risk is mitigated. At the request of the Government, consultants will be selected, engaged and administered by ADB in accordance with its Guidelines on the Use of Consultants by the Asian Development Bank and its Borrower. As the RIA Subproject deals with outreach activities with several ministries and agencies in sensitive regulatory areas the Government believes that ADB administration of the RIA Subproject would ensure priorities and reforms are synchronized across agencies. In this way, the RIA Subproject will improve capacity among the agencies to coordinate regulatory and transparency necessary for effective institutionalizing RIA within Government on a voluntary basis. The RIA Subproject will address capacity through training to the EA on administration of ADB funded projects and will provide EA with administration of some Subproject activities from the first to third year of the project. For this purpose the EA will establish an imprest account to administer a total of \$300,000 to finance capacity development activities – workshops, retreats, research assistants, miscellaneous operating costs of the PIU. It is expected that the EA for the RIA Subproject would fully administer any subsequent RIA Subproject under PED-SP3. Small or off-the-shelf goods and materials valued at less than \$100,000 may be procured under direct purchase arrangements. Items with similar specifications will be combined into one package, when possible. Equipment will be procured by the consultants. All equipment procured under the RIA Subproject will be transferred to the EA and IA. The terms of reference for the consulting services and their duration are below. The procurement plan is in Table 6.

B. Disbursement

16. The grant proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2007, as amended from time to time),¹ and detailed arrangements agreed upon between the Government and ADB.

¹ Available at: http://www.adb.org/Documents/Handbooks/Loan_Disbursement/loan-disbursement-final.pdf.

17. Pursuant to ADB's Safeguard Policy Statement (2009) (SPS),² ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

(i) For the Consulting Firm and consultants:

18. The *TA Disbursement Handbook* (2008, as amended from time to time) disbursement procedure will be followed. At the request of the Government, consultants will be selected and administered by ADB in accordance with its guidelines on the *Use of Consultants*. Payment to the consulting firm will be paid by ADB like a technical assistance project. ADB will share with the Recipient the signed contracts between ADB and the individual consultants and consulting firms.

(ii) Imprest Fund Procedure

- **Description.** The imprest fund procedure is one where ADB makes an advance disbursement from the grant account for deposit to an imprest account (the Account) to be used exclusively for ADB's share of eligible expenditures.
- **Basic Requirements.** A signed withdrawal application for imprest account (see *Appendix 7*) must be submitted to ADB together with a statement of the estimated ADB share of project expenditures form ADB-IFP-EES (see *Appendix 29*).
- **Using the Account.** The EA/IA uses the account to pay suppliers and others for ADB's share of eligible project expenditures incurred in local and foreign currency. EA and ADB shall maintain close monitoring of its operation and turnover ratio. For slow-moving imprest account and/or advanced amount not being utilized within reasonable time, the imprest fund ceiling shall be reduced to the appropriate level in line with project activities and surplus fund shall be returned to ADB immediately. Any use of the imprest funds for activities other than the eligible project activities will invoke corrective action deemed appropriate by ADB.

19. General Instructions for Preparing the Withdrawal Application for Imprest Fund (ADB Form No. ADB-IFP)

- **Number withdrawal applications consecutively, not exceeding 5 digits or characters.**
- **Establishing the Account.** Executing/Implementing Agency is required to open, for the exclusive use of the project, a separate bank account for depositing advances. The imprest account shall be maintained in current account only and opened in the Borrower's name.
- **Location of the Account.** The account may be opened at a commercial bank in Cambodia. The account will be denominated in US dollars.
- **Basic Requirements.** A signed withdrawal application for imprest account (see *Appendix 7*) must be submitted to ADB together with the statement of the estimated ADB share of project expenditures on form ADB-IFP-EES (see

² Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>.

Appendix 29). In addition, the following documents need to be submitted as well (i) bank details of account opened; and (ii) specimen signatures of authorized signatories.

- **Ceiling of Advances.** The maximum amount to be deposited to each of the project imprest accounts will be based on the estimated expenditures to be financed from the project imprest account for the first six months of project implementation, or 5% of the Grant amount whichever is lower. The Borrower must obtain prior ADB approval for any upward changes in the approved ceiling. Requests for changes are sent to ADB for approval by the Assistant Controller, CTLA and the sector division director concerned.
- **Separate imprest accounts should be established and maintained by funding source.** The maximum ceiling of the EA's' Imprest account(s) "in aggregate" {if more than one imprest account} will not at any time exceed the estimated ADB financed expenditures to be paid from the imprest account for the next 6 months or 5% of the grant amount, whichever will be lower. The request for initial advance to the imprest account should be accompanied by an Estimate of Expenditure Sheet³ setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the EAs/IAs will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records.⁴

- (i) The statement of expenditure (SOE) procedure may be used when seeking reimbursement of eligible expenditures and liquidating advances made into the project imprest accounts. The maximum payment for any individual item using these procedures is \$10,000 equivalent per individual payment. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.⁵
- (ii) Before the submission of the first withdrawal application, MEF (the Borrower) should submit to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the Borrower, together with the authenticated specimen signatures of each authorized person. The maximum value per withdrawal application is US\$100,000, unless otherwise approved by ADB. ADB will transfer the funds through the pass-through account held by MEF at NBC to the EAs' Imprest Accounts. MEF are to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal

³ Available in Appendix 29 of the *Loan Disbursement Handbook*.

⁴ Follow the format provided in Appendix 30 of the *Loan Disbursement Handbook*.

⁵ Checklist for SOE procedures and formats are available at:

http://www.adb.org/documents/handbooks/loan_disbursement/chap-09.pdf

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-100-Below.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Contracts-Over-100.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Operating-Costs.xls

http://www.adb.org/documents/handbooks/loan_disbursement/SOE-Free-Format.xls

applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing.

C. Accounting

20. The EA, assisted by the team leader, will maintain separate project accounts and financial statements in accordance with the provisions of the Grant Agreement and Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB (2002).

D. Auditing

21. The EA, assisted by the team leader, will maintain separate project accounts and financial statements in accordance with the provisions of the Grant Agreement and *Guidelines for the Financial Governance and Management of Investment Projects Financed by ADB* (2002) and will have them audited annually by auditors acceptable to ADB. In the event a non-government auditor is required to undertake the subproject audit, the cost will be borne from the subproject. During project implementation, within 6 months of the end of each fiscal year, the EA will submit to ADB certified copies of the annual audited project accounts and financial statements, as well as the auditor's report, which will include a separate opinion on the use of the imprest account and SOE procedure. The EA will submit quarterly and annual reports to ADB, indicating progress made, problems encountered, and steps taken to remedy the problems, a program of activities, and expected progress during the implementation period. The reports will incorporate the project performance monitoring data and all relevant financial data. The EA will also provide reports and information relating to the RIA subproject as ADB reasonably requests. Within 3 months after project completion, the EA will submit to ADB a project completion report detailing information on project implementation and accomplishment of the project activities.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting

22. All advance action, advance contracting will be undertaken in conformity with ADB's Procurement Guidelines (2010, as amended from time to time) and ADB's Guidelines on the Use of Consultants (2010, as amended from time to time). The issuance of RFP under advance action will be subject to ADB approval. The Borrower has been advised that approval of advance action does not commit ADB to finance the Project.

23. The advance payment facility (ADF) may be used for project administration and operations costs, including translation of manuals, preparation of training materials, cost of training, seminars, conferences, workshops and public awareness campaign. All such procurement of items/services shall be carried out by the consultants and EA (under the Imprest Account) by following ADB procurement procedures. First set of document of any such procurement under shopping shall be prior reviewed by ADB.

B. Procurement of Goods, Works, and Consulting Services

24. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines (2010, as amended from time to time)*.

25. All consultancy firm and consultants will be selected, engaged, and administered by ADB on behalf of the Government according to ADB's *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time)*. As the RIA Subproject deals with outreach activities with several ministries and agencies in sensitive regulatory areas the Government believes that ADB administration of the RIA Subproject would ensure priorities and reforms are synchronized across agencies. In this way, the RIA Subproject will improve capacity among the agencies to coordinate regulatory and transparency necessary for effective institutionalizing RIA within Government on a voluntary basis. The RIA Subproject will finance a team of 2 international consultants, up to 6 national consultants and 1 senior project administrator for implementation. A total of 186 (30 international and 156 national) person-months will be required. A Consultancy firm will be engaged using the quality and cost-based selection method (80:20), full technical proposal. The firm will engage the 2 international consultants, 1 national consultant and the senior project administrator (30 international and 36 national person months). The other five national consultants will be engaged through ICS (total of 120 persons months). Project equipment will be procured by the consultants (engaged by the consultancy firm) in accordance with ADB's *Procurement Guidelines (2010 as amended from time to time)*. Small or off-the-shelf goods and materials valued at less than \$100,000 will be procured by following shopping.

C. Counterpart funds

26. Ensure sufficient counterpart funds including all Government allocations for implementation, staffing and operation and maintenance (O&M) of project facilities will be readily available and the submission of budgetary allocation requests are made in a timely manner. These counterpart funds will be transferred to project accounts at the commencement of each quarter and will be supplemented each month thereafter in an amount adequate to cover the ensuing three months requirement.

B. Procurement Plan

Table 6: Procurement Plan

Cost Component and Indicative Cost Per Component	Procurement Needs	Implementing Agencies	Procurement Mode
A1. Consulting services – remuneration, per diem, travel etc (overall value of A1 is \$810,000) ^a	30 person-months of international consulting services 36 person-months of national consultants (1 senior project administrator and 1 national consultant)	ECOSOCC, MOC, MIME, MOE, plus one other line ministry or agency to be determined later	Firm through QCBS, selected by ADB
A2. Capacity- Development (linkage programs)- several procurement packages of capacity development for RIA advisory support and training from an-OBPRs from another country in the region (first linkage program) and exposure visits/secondments to relevant overseas agencies (\$336,000) ^b	Contract to office(s) OBPR to assist with developing internal business processes and training materials and arrangements with relevant overseas agencies for secondments on RIA.	ECOSOCC, MOC, MIME, MOE and one other line ministry/agency	
A3. Equipment - Procurement of computers, scanners and photocopiers, one package of two vehicles, and one package for IT support to develop, accounting software, expand and maintain web-based legal database and an internal access database for tracking IAs, payment of taxes and duties on equipment, and others (total \$346,000) ^b	Equipment, furniture and fixtures and 2 vehicles for RIA teams	ECOSOCC, MIME, MOC, MOE and one other line ministry/agency.	
A4. Capacity development/miscellaneous admin. Expenses/workshops/secondments etc. Several packages for project administration and operations costs, including translation of manuals, preparation of training materials, cost of training, seminars, conferences,		ECOSOCC, MOC, MIME, MOE, plus one other line ministry/agency.	

workshops, and public awareness campaigns (\$336,000) ^b			
B1. Capacity development/miscellaneous admin. expenses. Several packages for project administration and operations costs, including translation of manuals, preparation of training materials, cost of training, seminars, conferences, and workshops, research assistants and public awareness campaigns (\$360,000) ^c		ECOSOCC	ECOSOCC administered through Imprest Account. First set of document in English of any such procurement under shopping shall be prior reviewed by ADB. This procurement commences in the first year of the RIA Subproject.
C1. Consulting services through ICS – remuneration, per diem, travel etc (overall value of C1 is \$212,000) ^d	5 national consultants for total of 120 person-months of national consulting services.	ECOSOCC, MOC, MIME, MOE, plus one other line ministry or agency to be determined later	5 national consultants will be engaged through ICS.

ECOSOCC = Economic, Social and Cultural Council, MIME = Ministry of Industry, Mines and Energy, MOC = Ministry of Commerce, MOE = Ministry of Environment, OBPR = office of best regulatory practice, QCBS = quality- and cost-based selection.

^a Includes contingency of 8%.

^b Includes contingency of 5%.

^c Includes contingency of 20%.

^d Includes contingency of 12%.

Source: Asian Development Bank.

D. Consultant's Terms of Reference

a. International Experts

1. International Regulatory Expert = Team Leader (15 person-months)

27. **Candidate Profile.** A minimum of 5 years of in a reputed regulatory agency as a senior manager. Post-graduate qualifications in Economics, Business or Commerce is required. Ability to work in a cross-cultural environment and under time constraint is essential. Some experience in the private sector is desirable. The team leader will report to the ADB task manager (TASU) and the EA/PIU head.

28. **Job Description.** The expert will be responsible for managing the RIA Subproject and to assist the EA to institutionalize an effective Regulatory Impact Analysis (RIA) regime in Cambodia. The candidate will assist in establishing the Office of Regulatory Impact Analysis (ORIA) including training and guiding key staff; setting up the internal systems; and promote regulatory reform in the line ministries of the RGC. The duration of this assignment will be 15 months, starting from 1 January 2011. The assignment will be 7 months intermittent in the first year, 5 months intermittent in the second year and continuous for 3 months in the third year.

29. Proposed assignment

The candidate will assist the EA and IAs:

- Working with the Regulation Economist and assist ECOSOCC to establish the ORIA in ECOSOCC including the organizational structure, internal reporting procedures and controls systems.
- Draft job descriptions of staff, train and motivate key personnel at ECOSOCC
- Produce national guidelines for good practice regulation, RIA guidelines and procedures, and RIA assessment templates.
- Develop an appropriate training scheme for ORIA and line-ministry staffs
- Foster effective working relationship with line-ministries, rest of OCM, private sector peak bodies and other relevant groups
- Advocate and promote regulatory reform to ministers and senior government officials
- Oversee the establishment of the information and reporting systems of the ORIA (including the i-centre), access database, and ECOSOCC website.
- Assist pilot line ministries undertake selected RIAs
- Produce monthly, quarterly, annually progress reports and final report on the implementation of RIA subproject
- Prepare an adequate succession plan to ensure that an effective regulatory system that is capable of functioning smoothly in the future.
- Work closely with ECOSOCC and ORIA staff to build their capacity and knowledge on ADB procurement guidelines and systems. Assist staff manage the administration of selected Project activities commencing in the second year of the Project.
- Work and provide supervision to the six national consultants on the projects.
- Prepare annual work plan and budget

2. International Regulation Economist (15 person months)

30. **Candidate Profile.** A minimum of 7 years of professional work experience in a reputed regulatory agency, or economic agency in middle management role. Post-graduate qualifications in economics, business or commerce is required. Ability to work in a cross-cultural environment and under time constraint is essential. Teaching (at a tertiary institution) or training experience is desirable. The consultant will report to the Team leader, EA/ PIU Head and ADB task manager (TASU).

31. **Job Description.** The regulatory expert will work with the Team Leader to establish the ORIA. S/he will lead the analytical, advocacy and outreach activities with the line ministries. The duration of this assignment will be 15 months starting from early April 2011. The level of effort will be 7 months effort in the first year, 6 months in the second year and 2 months in the third year.

32. Proposed assignment:

The candidate will assist the EA and IAs:

- Work with Team Leader and assist with establishing the ORIA in ECOSOCC including the organizational structure, internal reporting procedures and controls systems.
- Work with Team Leader and EA to draft, finalize and publish the national guidelines for best practice regulation, national guidelines for best practice consultation, finalize and have published the initial impact assessment template and the regulatory impact statement template.
- Produce the first annual report on Regulation Performance in the Cambodian Government and Hand Book On Best Practice Regulation
- Provide training to EA/IA and ORIA staff on RIA, RIS, and cost-benefit analysis.
- Assist ORIA staff to train staff at line ministries and their RIA units.
- Work with ORIA and staff at line ministries to carry out RIAs on proposed or existing regulations, and other aspects of line ministries' RIA action plans
- Assist ORIA in its advocacy activities
- Engage with private sector and SME secretariat on RIA advocacy
- Work and provide supervision to the six national consultants on the projects.

3. Senior Project Administrator (National/international – 24 months)

33. **Candidate Profile.** The Candidate must have a minimum of 5 years of professional work experience in administration, accounts and internal control, and at least Bachelor in accounting or business administration. Ability to work in a cross-cultural environment and under time constraint is essential. Experience working on ADB funded projects and familiar with ADB procurement systems is required. The project administrator will report to the team leader, EA/PIU Head and TASU.

34. **Job Description.** The Project Administrator will work closely with the Team Leader and EA PIU on maintaining accounts and payments. S/he will provide on the job training to EAs on ADB procurement guidelines and assist them with their administering of selected activities. The duration of this assignment will be 24 months, starting from 1 January 2011.

35. **Proposed assignment:**

The candidate will assist the Team Leader and EA:

- Set up the Project accounting system and software
- Maintain records of accounts and responsible for payment of invoices for Project activities.
- Responsible for procurement of equipment, services and other packages under the consulting contract and keep accounting records for all Project transactions and reporting to the EA and ADB task manager on a monthly basis. This includes arranging logistics overseas exposure visits to offices of best practice regulation (OBPR), and secondments to OBPRs and regulatory agencies
- Produce monthly statement of accounts for EA and ADB
- Work with and train EA staff on the accounts system and ADB procurement guidelines
- Assist the EA to meet ADB procurement rules on administering the EA's Imprest Account.

**4. National Gender Specialist
(12 person-months)**

36. **Candidate Profile.** The specialist must have a minimum of 5 years of professional work experience in academia, research institute or with a development partner specializing in gender issues. Post-graduate qualification in social sciences is required. The national consultant will report to the Team Leader and EA/PIU Head. Ability to work in a cross-cultural environment and under time constraint is essential.

37. **Job Description.** The gender specialist will work with the International Regulation Economist and National Consultant to assist with capacity development at ORIA and the line ministries. The key objective is to assist with gender mainstreaming the regulatory review process and in particular the national guidelines on stakeholder consultations. The duration of this assignment will be 24 12 months, starting from 1 January 2011.

38. **Proposed assignment:**

The candidate will assist the EA and IAs:

- Develop a gender action plan for mainstreaming gender issues in the regulatory review process.
- Working with International Regulation Economist assist in drafting, finalizing and publishing the national guidelines for best practice regulation, national guidelines for best practice consultation, finalize and have published the initial impact assessment template and the regulatory impact statement template ensuring gender mainstreaming.
- Assist the EA to produce the first annual report on Regulation Performance in the Cambodian Government and Hand Book On Best Practice Regulation with reference to gender mainstreaming.
- Provide training to EA, ORIA and line ministries on relevant gender issues in regulation making.
- Assist the ORIA in advocacy of regulatory reform and gender issues.

**5. Five Regulation Economists (engaged through ICS)
(24 person-months each)**

39. **Candidate Profile.** The candidate must have a minimum of 5 years of professional work experience in academia, research institute or a reputed regulatory or economic agency in Cambodia. Post-graduate qualification in economics, business or commerce is required. The national consultants will report to the Team Leader and EA/PIU Head. Ability to work in a cross-cultural environment and under time constraint is essential.

40. **Job Description.** The regulatory economists will work with the Team Leader and the International Regulation Economist to assist with establishing the ORIA and assist pilot line ministries with implementing RIA action plans. The duration of this assignment will be 24 months, starting from 1 January 2011. Three consultants will be hired from the beginning of 2011 and other two consultants will be hired from the beginning of 2012.

41. **Proposed assignment:**

The candidate will assist the EA and IAs:

- Work with Team Leader and EA to assist with establishing the ORIA in ECOSOCC including the organizational structure, internal reporting procedures and controls systems.
- Work with International Regulation Economist to draft, finalize and publish the national guidelines for best practice regulation, national guidelines for best practice consultation, finalize and have published the initial impact assessment template and the regulatory impact statement template.
- Assist to produce the first annual report on Regulation Performance in the Cambodian Government and Hand Book On Best Practice Regulation
- Provide training to EA/IA and ORIA staff on cost-benefit analysis.
- Assist ORIA with updating and maintaining information databases and website
- Assist ORIA staff to train staff at line ministries and their RIA units.
- Work with ORIA and staff at line ministries to carry out RIAs on proposed or existing regulations, and other aspects of line ministries' RIA action plans
- Engage with private sector and SME secretariat on RIA advocacy

VII. SAFEGUARDS

42. The RIA Subproject will not entail any involuntary resettlement or have a negative impact on indigenous people or the environment. It is classified category C for involuntary resettlement, impact on the indigenous people, and impact on the environment. The RIA Subproject is a general intervention aimed at supporting implementation of regulatory reforms and institutional capacity development which will lower regulatory costs to the business community.

VIII. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Project Design and Monitoring Framework

Design Summary	Performance Targets and/or Indicators	Data Sources and/or Reporting Mechanisms	Assumptions and Risks
Impact Expanded and diversified private sector	By 2015: <ul style="list-style-type: none"> • Increased share of nontraditional sectors in non-agriculture GDP (baseline 2007 = 42% of non-agriculture GDP) • increased non-garment exports (processed foods and beverages, handicrafts, etc) by 5–10% per year (baseline 2007) 	National income accounts from NIS	Assumption <ul style="list-style-type: none"> • External economic environment continues to improve to support domestic macroeconomic stability and growth Risk <ul style="list-style-type: none"> • Macroeconomic instability linked to budget deficits
Outcome Improved business environment where the private sector operates efficiently and effectively	By the end of 2012: <ul style="list-style-type: none"> • 25% increase in the number of registered enterprises (baseline 2007 = 16,450) • Increase in investment by more than 10% per year 	MOC business registry data NIS national income data, NBC capital account data	Assumption <ul style="list-style-type: none"> • Government stays on course with key business regulatory reforms.
Outputs 1. competition in the domestic market increased and regulatory efficiency improved	<ul style="list-style-type: none"> • Increase number of line ministries with RIA action plans (baseline 2009 = 1 ministry) • Line ministries with action plans produce at least 5 RIA impact assessments per year and posted on respective websites and the ECOSOCC website • At least one of the RIA focal point persons at each participating ministries is female. (base line 2009=0) 	RIA Subproject PIU data on MOUs between line ministries and ECOSOCC RIA Subproject PIU data	Risk <ul style="list-style-type: none"> • The capacity of agencies to implement reforms may be constrained by resources and other emerging priorities • Resistance to some of the reforms from vested interests, especially in institutionalizing RIA in Government and competition policy.
2. Investment climate strengthened	<ul style="list-style-type: none"> • Increase number of investment agreements (baseline 2007 = 20) • Complete one double taxation agreement with a major trading partner (baseline 2007 = 0) • Reduce number of days to launch a business (baseline 2007 =) 	Cambodian Development Council (CDC) MEF IFC doing business	

<p>3. Trade policy and facilitation enhanced</p>	<ul style="list-style-type: none"> • At least 50 firms accessed new technology through matching grants scheme, of which 45-55% of grant recipients are enterprises majority owned by females. • Reduced time to prepare documents for exporting goods by 20% (baseline 2007 = 37 days) • Reduced time to prepare documents for importing by 20% (baseline 2007 = 46 days) • At least 5 firms SPS-related ISO accredited (baseline 2008 =1) • ILCC's ISO accredited for at least 10 tests (baseline 1998=0) 		
<p>Activities with Milestones (during Subprogram 2)</p> <p>1.1. Government upgraded OBSES to ECOSOCC with higher level policy status, increased personnel, and broader policy mandate including regulatory impact assessment. (Feb. 2009).</p> <p>1.2. Government endorsed ECOSOCC strategy to institutionalize RIA in the national government including the preparation for and establishment of the Office of Regulatory Impact Assessment (ORIA) at ECOSOCC. (August 2010).</p> <p>1.3. Ministry for Industry, Mines and Energy (MIME) implemented the first pilot RIA action plan starting with the Department of Industry. Actions included issuing ministerial prakas mandating RIA and action plan, and Department of Industry established RIA taskforce and designating members, and initiating a RIA on a sub decree. (Dec. 2008).</p> <p>1.4. Ministry of Environment (MOE) prepared and endorsed RIA action plan. MOE initiated a RIA reviewing the cost of business compliance with a sub-decree. (July 2010).</p> <p>1.5. Government in collaboration with ADB and other development partners undertook several RIA awareness raising activities including workshops, senior executive retreat, exposure visit to overseas offices of better regulatory practice and a red tape survey of enterprises (Nov. 2009 to Feb. 2010).</p> <p>1.6. Ministry of Commerce established working group on competition policy and drafting on competition law. (May 2010).</p> <p>2.1 Prepared draft double tax agreement (DTA) model as the basis for future DTA negotiations. (Dec. 2009)</p> <p>2.2 Cambodia strengthened investor protection through investment chapters of regional agreements including the Agreement establishing the ASEAN-Australia-New Zealand free trade area (Feb. 2009), ASEAN-PRC (Aug. 2009) and ASEAN-Rep. Korea (June 2009)</p> <p>2.3 MIME established taskforce on national technology policy and produced an appropriate draft policy framework for technology and innovation for the SME sector (July 2010)</p> <p>3.1 Ministry of Commerce produced a draft bill on trade remedies consistent with best international practice and economy-wide perspective. Inter-ministerial discussions to refine the bill's language and clarify technical terms started (2010).</p> <p>3.2 Cambodia requested WTO for a trade policy review (TPR) and has substantially completed preparation for the review. These activities included reconvening the Inter-Ministerial Coordination Committee on Cambodia's obligations under WTO (IMCC); completion of the WTO questionnaire for data, and hosting the WTO mission in the first week of June 2010. (Nov. 2009 - June 2010).</p> <p>3.3 The Department of notification and legal compliance (WTO department) strengthened its notification systems within the department as the focal point, Camcontrol as the inquiry point for SPS and MIME for TBTs. (2009).</p> <p>3.4 Produced draft Inter-ministerial prakas clarifying delineation of various SPS (food</p>		<p>Inputs</p> <ul style="list-style-type: none"> • ADB PED-SP2 loan of \$10 million equivalent • ADB-PED-SP2 ADF grant of \$9.0 million equivalent • Capacity Development Project (CREST) funded under ADF grant of \$5.0 million. CREST project has two subprojects as follows: • SPS Management systems Subproject (\$2.6 million). Five outputs: <ul style="list-style-type: none"> (i) SPS Legal Framework Implementation (ii) Enhance Capacity of SPS Service Providers (iii) Capacity Development at the Institute of Standards of Cambodia (iv) Enhance SPS Market Surveillance and Enforcement Capability (v) SME Improved Access to SPS Technologies through matching grants • Government co-financing for SPS - \$315,000 • RIA Subproject (\$2.4 million) allocated across three components as follows: <ul style="list-style-type: none"> (i) Build Capacity of ORIA (ii) Support for Line Ministries' RIA Action Plans (iii) Develop a Community of RIA Practitioners • Government co-financing for RIA - \$232,000 	

<p>safety) related ministries legal responsibilities and enforcement (Camcontrol, MIME, MOH, and MAFF) and initiated inter-ministerial discussions. (April 2010).</p> <p>3.5 Ministerial circular 0421 developed and approved to authorize MOH Food Safety Bureau (FSB) to undertake catering and restaurant food safety inspection and certification scheme in compliance with Food Hygiene sub decree 47. (2009).</p> <p>3.6 MIME developed and endorsed an action plan to commercialize the Industrial Laboratory of Cambodia Center (ILCC) by 2013. The action plan covers corporate governance, strengthening technical capacity of staff and measures for ISO accreditation for major food safety tests. (May 2010).</p> <p>3.7 MIME started implementation of ILCC action plan (Jan. 2010).</p> <p>3.8 Satisfactory progress made in developing the ISC Conformity and Assessment Board (CAB) for management and process standards (ongoing).</p> <p>3.9 The National Standards Council (NSC) established with members from the government, academia and private sector. Five standards committees (TC) approved and established. TC 3 on Food and Prepared Foodstuffs includes Food Safety Management Systems (FSMS) and food laboratory techniques. (2009).</p> <p>3.10 The General Department of Customs and Excise has implemented and operationalized ASYCUDA at three other major ports. These include the Phnom Penh international airport and two dry ports (Tech Srun and Teng Lay). As part of the customs system expansion Project, the General Department of Customs and Excise undertook needs assessment for national rollout of ASYCUDA. (Dec. 2009).</p> <p>3.11 Substantial progress made in implementing customs transaction valuation in line with WTO commitments (Dec. 2009).</p>	
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ADB = Asian Development Bank, CDC = Council for Development of Cambodia, GDP = gross domestic product, IFC = International Finance Corporation, ISC = Institute of Standards of Cambodia, ISO = International Organization for Standardization, MEF = Ministry of Economy and Finance, MIME = Ministry of Industry, Mines and Energy, MOC = Ministry of Commerce, NBC = National Bank of Cambodia, NIS = National Institute of Statistics, SPS = sanitary and phyto-sanitary standards, TA = technical assistance.

Source: Asian Development Bank.

B. Monitoring

1. Project performance monitoring

43. Monitoring of the Subproject will be done through four mechanisms. First, the Subproject will provide ECOSOCC, the relevant agencies and ADB monthly, quarterly, semester and annual progress reports on implementation of the Subproject and RIA action plans. Line Ministries will be required to report on action plan implementation. RIAs are required to be posted in line ministries websites. Second, through the private sector development sub-steering committee on SMEs, monitoring of implementation and monitoring progress will be made. Third, the Government and ADB will undertake joint reviews of the RIA subproject every six months to assess progress in component and activities, the quality of activities and the outputs produced, the performance of the subproject and identify issues and challenges.

C. Reporting and Review

44. The Government and ADB will undertake joint reviews of the RIA Subproject every six months to assess progress in component and activities, the quality of activities and the outputs produced, the performance of the subproject and identify issues and challenges. The EA and ADB will conduct a midterm review covering a comprehensive assessment of achievement against the RIA Subproject's expected impact and outcomes, and the modification of implementation arrangements where necessary for the successful completion of the RIA

Subproject. The Government and ADB will continue to engage in active policy dialogue throughout implementation of the subproject on sector issues, policy reforms and other measures that may affect the subproject and on additional reforms that may be necessary or desirable for the successful implementation of the subproject.

- (i) Keep ADB informed of policy discussions with other stakeholders about measures to ensure effective implementation of the PED Program.
- (ii) ADB is kept informed of policy discussions with other stakeholders about related measures to ensure effective implementation of the RIA subproject.

D. Stakeholder Communication Strategy

45. Whilst formal stakeholder analysis or a participation strategy was not produced as a discrete output, the scope of the RIA Subproject was conceptualized and formulated based on extensive formal and informal stakeholder consultations. These included a series of workshops in Phnom Penh with government agencies in late 2009 and early 2010, an executive retreat of senior policy makers in February 2010, an exposure visit to Australian OBPR for senior officials from the ECOSOCC of the Office of Council of Ministers in February 2010. Thus, as part of the processing for the grant support, extensive consultations were held with a wide range of stakeholders, including central ministries and development partners.

IX. ANTICORRUPTION POLICY

46. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Project.⁶ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Project.⁷

47. To support these efforts, relevant provisions of ADB's Anticorruption Policy are included in the grant regulations and the bidding documents for the Program and related project. In particular, all contracts financed by ADB in connection with the program and grant-financed project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agencies and all contractors, suppliers, consultants, and other service providers.

X. ACCOUNTABILITY MECHANISM

48. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.⁸

XI. RECORD OF PAM CHANGES

⁶ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>.

⁷ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>.

⁸ For further information see: <http://compliance.adb.org/>.

**Promoting Economic Diversification Program
Good Governance Framework for the RIA Subproject**

In all instances, the Grant Agreement shall be the overriding legal document. ADB's *Procurement Guidelines, 2007*, as amended from time to time ("Procurement Guidelines"), and ADB's *Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers, 2007*, as amended from time to time ("Consulting Guidelines"), shall be applied pursuant to the Grant Agreement as they may be modified by that Grant Agreement. The Government's policies and procedures shall be applicable to the extent there is no discrepancy with the Grant Agreement or ADB's Procurement Guidelines and Consulting Guidelines. In the event there is a discrepancy, then the Grant Agreement, the Procurement Guidelines and the Consulting Guidelines shall apply.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
Element 1: Procurement				
1.a	Risks of corruption and fraud	<p>ECOSOCC as the EA for the RIA-Subproject will the project.</p> <p>ADB administration of the RIA Subproject – ADB on behalf of Government select, engage and administer consulting services.</p> <p>ORIA will administer one package comprising of workshops, training, PIU operating costs commencing in year 1 of Subproject for maximum of 300,000</p> <p>In the event there is agreement for a RIA-2 Subproject under PED-SP3 (2012), the EA will fully administer the project. The EA and the Implementing Agencies (IAs) will be trained to Government's Standard Operating Procedure and Procurement Manual (SOP/PM), mandated on February 26, 2007.</p> <p>ADB administration. Specifications for equipment provided by EA/IAs</p>	<p>Project EA: ECOSOCC and the IA comprising MIME, MOC, MOE and one other line ministry to be determined in 2011.</p> <p>ECOSOCC will monitor for compliance with the Grant Agreement, ADB's Procurement Guidelines and the Procurement Manual.</p>	<p>At effectiveness</p> <p>Throughout Project duration.</p>
1.b	Procurement	The Project EA is to adhere strictly to the procedures and	EA and IAs.	Throughout Project

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
	procedures	guidelines set forth in the Grant Agreement and ADB's Procurement Guidelines.	ECOSOCC and IAs will monitor for compliance with the Grant Agreement, ADB's Procurement Guidelines.	duration.
1.c	Procurement capacity	The EA and IAs will receive hands-on training and technical assistance from consultants recruited under the Project. Training will cover Government procurement procedures and the SOP/PM . Project to closely monitor and review procurement activities, and where necessary, take measures to improve procurement procedures based on lessons learnt from each successive procurement activity.	EA and IAs EA, IAs, and ADB.	Throughout Project duration. Throughout Project duration.
1.d	Procurement Plans	Preparation of realistic annual Procurement Plan as guided by the Procurement Guidelines and assisted by ADB and the team of consultants engaged, tied to annual work plan and budget.	EA, and IAs.	Procurement Plan attached to Minutes of Grant Agreement
1.e	Informal payments by contractors, suppliers and consultants	All contractors, suppliers and consultants – firms or individuals, national and international – bidding for contracts under the Project shall sign the Declaration on Ethical Conduct and Fraud and Corruption in the SOP/PM.	EA, and IAs	Throughout Project duration.
Element 2: Financial Management (FM)				
2.a	Internal controls	Strengthen internal controls which cover: <ul style="list-style-type: none"> • financial policies and standards; • elements of internal control; • financial accounting system, ledgers, journals; • bank accounts and credit/grant withdrawals; • Project expenditure, payroll, petty cash, advances; and • FM reports, audit, counterpart funds withdrawals. 	EA and IAs. EA and IAs will monitor for compliance with Grant Agreement and ADB's Anticorruption Policy.	Continue throughout Project duration.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
2.b	Financial management capacity	<p>The EA and IAs will receive hands-on training and technical assistance from consultants recruited under the Project.</p> <p>Project to closely monitor and review financial management conduct and make necessary improvements as required.</p>	<p>EA and IAs.</p> <p>EA, IAs, and ADB</p>	<p>Throughout Project duration.</p> <p>Throughout Project duration.</p>
2.c	Minimize cash transactions	<p>Project to make all progress payments to contractors and suppliers– firms, individuals, national and international – by check or transfer to bank accounts, and retain evidence for audit and donor supervision missions.</p>	EA, and IAs.	Throughout Project duration.
2.d	Uniformity in allowances paid to Government staff attending training, workshops and study tours	<p>Government finances the Project Operating Costs (POC) which has become effective 1 July 2010.</p> <p>Project to establish Annual Training and Workshop Plan with estimated budget.</p> <p>Each training or workshop to have a detailed budget and expenses approved by the EA</p>	<p>EA and IAs to submit POC proposals to MEF for the next year budget.</p> <p>Annual Training and Workshop Plan.</p> <p>Approved by EA and IAs with ADB no objection.</p> <p>EA and IAs.</p>	<p>Throughout Project duration.</p> <p>4th QTR annually.</p> <p>Throughout Project duration.</p>
		<p>Project to set eligibility rules for attending training, workshops and study tours. Attendees must:</p> <ul style="list-style-type: none"> • be engaged in work relevant to the training, and • be competent in the language used. 	EA and IAs in consultation with ADB.	Before first training, workshop or study tour.
		<p>Project to ensure that training, workshops, study tours and other similar activities:</p> <ul style="list-style-type: none"> • are in line with Project aims and objectives 		At time of annual work plan preparation, and again before each

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
		<ul style="list-style-type: none"> • meet identified needs within the subproject plans, and • have budget in line with planned expenditure approved by the IAs and EA. Project to seek IAs and EA prior approval for any significant plan changes or departures. 		training, workshop or study tour.
		<p>Project to set cost guidelines for selected training/workshop activities, including:</p> <ul style="list-style-type: none"> • venue rental with refreshments/meals • sound and projection equipment hire • stationery/hand-outs • Project-specific training and workshop materials • simultaneous translators, and • photocopying, reproduction, translation. 		Before first training, workshop or study tour.
		<p>Project to define evidence to be submitted by attendees for reimbursement of expenses which may include:</p> <ul style="list-style-type: none"> • proof of attendance for period claimed with signed statement by the workshop, training or study tour organizer or host • proof of travel by air – ticket stubs, travel agent’s receipt, airline boarding passes • receipted hotel bills (for proof of stay) • receipts for incidental traveling expenses • receipted invoices for venue rental, food and beverage, sound/projection equipment, hire of simultaneous translator, stationery and handouts, use of photocopying facilities. <p>Project to reimburse against receipts except where covered by fixed allowances in MEF’s Letter No. 2000.</p> <p>Project to retain evidence of attendance and payment of attendees’ per diem and allowances.</p>		<p>Each occasion.</p> <p>Each occasion.</p> <p>Each occasion.</p>
2.e	Delayed or non-existent reconciliation of advances for operating	Project to reconcile operating expenses to staff or field offices within one week of the end of each month.	IAs and EA .	Each month.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
	costs and expenses	No further advances to be paid until previous advance reconciled and cleared against documentary evidence.	IAs and EA	Throughout Project duration.
Element 3: Disclosure				
3.a	Conflict of interest among Project staff	Project staff to disclose private and public affiliations or personal interest before becoming involved in any Project-related transaction, such as contract award. IAs and EA will prepare a declaration statement for staff's signature.	IAs and EA will ensure all Project staff sign the disclosures.	Throughout Project duration.
3.b	Adequacy of transparency and disclosure	<p>For all contracts subject to prior review, within two weeks of receiving ADB's no-objection letter to the recommendation of contract award, IAs/EAs will publish the results of the bid evaluation, identifying the bid and lot numbers, and providing information on:</p> <ul style="list-style-type: none"> (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated prices of each bid that was evaluated; (iv) name of bidders whose bids were rejected and the reasons for their rejection; and (v) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded. <p>For contracts subject to post review, IAs/EA will publish the bid evaluation results no later than the date of contract award.</p> <p>At a minimum, the Project will disclose the information required by the Grant Agreement.</p>	IAs and EA will arrange disclosure.	Throughout Project duration
Element 4: Complaints and Remedies Mechanism				
4.a	Adequate complaints and remedies mechanisms	<p>Project to build well-defined complaints and remedies mechanism into Project documents.</p> <p>Complaints procedures regarding procurement to follow process set out in Grant Agreement.</p>	<p>IAs and EA in consultation with ADB.</p> <p>IAs and EA</p>	<p>Effectiveness</p> <p>Throughout Project duration</p>

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Frequency
Element 6: Code of Ethical Conduct				
5.a	No overall Code of Conduct for civil servants	Project to design ethical code, acceptable to ADB, for all Project staff, including contracted staff, to sign individually.	IAs and EA	Effectiveness
Element 7: Sanctions				
6.a	Inadequate sanctions for fraudulent and corrupt activity by Project staff, contractors, suppliers and consultants	The Project to identify and apply sanctions available under current law and regulations of Cambodia, ADB's Grant Regulations, the Grant Agreement, and ADB's Procurement Guidelines and Consulting Guidelines. Sanctions for individuals may include transfer of duties, retraining, suspension, dismissal, re-grading, and prosecution under Cambodian Law. Sanctions for firms may include: termination of contract, debarment or blacklisting under ADB's Procurement Guidelines and Consulting Guidelines or prosecution under Cambodian Law.	IAs and EA	Effectiveness
Element 8: Project Specific Elements				
7.a	Poor enforcement of contract terms and needing to conduct contractors performance evaluation	IAs and EA will ensure that contract terms are strictly enforced and the Grant consultant will be a party to ensuring quality control of contract outputs, include acceptance of completion of works and services. The IAs and EA to conduct performance evaluation of all contractors providing all types of services under the Project.	IAs and EA	Throughout Project duration.
7.b	Poor quality of products	IAs and EA will ensure that approved specifications are strictly followed in the procurements. IAs and EAs will development specifications for all procurements of goods under the Project.	IAs And EAs IAs and EA with ADB no objection.	Throughout Project duration. Contract signed immediately after effectiveness

**Regulatory Impact Assessment Subproject (RIA Subproject)
Cambodia –Project Readiness Filter**

Key Project Preparation Elements ⁹	Stage of Project Preparation				
	Identification/preparation	Appraisal/Fact-Finding	Negotiations	Effectiveness	Current Status (7 July 2010)
Project is consistent with RGC's NSDP and DPs assistance strategy	Confirmed				Confirmed. RIA promotes competition and regulatory efficiency through the impact assessments of all proposed regulations on business compliance costs and competition. RIA will contribute to business climate reform and private sector development, in line with the government's Rectangular Strategy and National Strategic Development Plan (NSDP) 2006-2010 and the draft NSDP 2011-2013.
Project Implementation Plan (PIP) or Project Operations Manual (POM) or Project Administration Manual (PAM)		PAM Drafted	Completed and agreed		The Mission prepared the draft PAM during the Fact-Finding mission. The PAM has since been updated, and will be finalized and agreed during the negotiation.
Project Good Governance Framework	Broad content defined	Drafted	Completed and agreed		Drafted.
Procurement Capacity Assessment		Not required			As per COSO discussion.
Procurement Plan (PP) - TOR and RFPs for consultants - First year bidding documents for goods and works		Agreed Agreed Not applicable	Confirmed Confirmed Not applicable	Ready for signing Not applicable	The consultants will undertake procurement of goods and services (no works involved) and these are incorporated into TORs.
Financial Management Capacity Assessment		Completed			PAM para 14

⁹ In general, the costs associated with the preparation of these elements can be in part funded through PPF and PPTA, based on Government request

Auditing arrangements including TOR		Agreed	Confirmed		Agreed. While the activities will be administered by ADB, as part of capacity development the EA is to engage auditors acceptable to ADB to do annual auditing on RIA project accounts and financial statements. The EA will then submit to ADB certified copies of the audited accounts and financial statements, as well as the auditor's report, and opinion on the use of the imprest account (commencing from the first year of the Project). The EA will submit to ADB a PCR within three month of project completion.
Environment Impact Assessment (EIA), Social Impact Assessment, Land Acquisition & Resettlement Plan and Indigenous People Action Plan (where applicable)	Requirements defined	Completed	No actions required		Classification C. No actions/measures required.
Project Implementation Arrangements		Agreed	Confirmed	In place	ECOSOCC as EA it will be responsible for establishing a Office of RIA (ORIA) mandated to implement the RIA project. The ORIA will be also responsible for assuming from ECOSOCC coordinating the project implementation with the IAs, carrying out administrative and fiduciary support, and supporting both Government and ADB reporting requirements on the progress of subproject.
RGC Project Preparation /Management Team	EA staff assigned to lead project preparation	Core Project Management Team starts implementing PP and other advanced actions	Full Project Management Team assigned	Full Project Management Team in place	The Project Management team of the EA has been assigned to lead the project preparation (PP) and has started implementing the PP, including setting up the ORIA with around 20 staff proposed.

Budget & funding from DP and RGC for the 1 st year of project implementation		Needs defined	Confirmed	Available	Detailed project cost estimates funded by ADB and the government, broken down by year starting from 2011-2013, is available in the PAM (2011: \$1,107,000; 2012: \$849,000, 2013: \$664,000 and 2014: \$90,000).
Monitoring and evaluation requirements		Agreed. Baseline data collected if possible.	Confirmed	Baseline data within 9 months	Baseline data is available in the PAM under the project DMF.

Template
Grant XX-CAM
Regulatory Impact Assessment Subproject, Cambodia

Progress Report, Month Year

Prepared for
Asian Development Bank

By
The Economic, Social and Cultural Council at the Office of the Council of
Ministers

In association with
[consulting firm)

ABBREVIATIONS

NOTES

- i. In this report "\$" refers to US dollars
- ii. The Government is the Royal Government of Cambodia
- iii. The Fiscal Year (FY) of the government ends 31 December

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I. PROJECT MANAGEMENT AND ADMINISTRATION

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II. COMPONENT ACTIVITIES AND ISSUES

- A. Component 1 Capacity Development of the Office of RIA
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- C. Component 3 Developing a Community of RIA Practitioners

III. SUMMARY OF EXPENDITURES FOR THE MONTH