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LOAN NUMBER 2706-CAM(SF)

GRANT NUMBER 0238-CAM(SF)

FINANCING AGREEMENT  
(Special Operations)

(Financial Sector Program II - Subprogram 4)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 27 JANUARY 2011

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LPS:CAM 34389

**FINANCING AGREEMENT  
(Special Operations)**

FINANCING AGREEMENT dated 27 January 2011 between the KINGDOM OF CAMBODIA (the "Beneficiary") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Beneficiary a development policy letter dated 26 October 2007 (hereinafter called the "Policy Letter"), setting forth certain objectives, policies and actions described in Schedule 1 to this Loan Agreement, designed to strengthen the financial sector and comprising a cluster of four (4) subprograms forming the Financial Sector Program II (the "Program Cluster"), some of which have been implemented under the fourth subprogram of the Program Cluster (the "Program" or "Subprogram 4");

(B) the Beneficiary has applied to ADB for a loan and grant from its Special Funds resources for the purposes of the Program; and

(C) ADB has, on the basis inter alia of the foregoing, agreed to make a loan and 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; Definitions**

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable 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.

(c) Section 2.01(24) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Beneficiary.

(d) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(e) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(f) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

(g) Section 6.05(c) is deleted and the following is substituted therefor:

(c) Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Beneficiary and ADB, the Beneficiary shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the Beneficiary of its obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.

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.

(c) Section 2.01(15) is deleted and the following is substituted therefor:

15. The term "Program" means the program for which ADB has agreed to make the Grant, as described in the Grant Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Beneficiary.

(d) The term "Project" wherever it appears in the Grant Regulations shall be substituted by the term "Program".

(e) Section 2.01(17) is deleted and the following is substituted therefor:

17. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Grant Agreement.

(f) The term "Project Executing Agency" wherever it appears in the Grant Regulations shall be substituted by the term "Program Executing Agency".

(g) Section 5.01(a) is deleted and the following is substituted therefor:

(a) Subject to any conditions or restrictions specified in the Grant Agreement, the Beneficiary shall be entitled to withdraw from the Grant Account such amounts as shall be required to meet payments for expenditures required for the Program and to be financed under the Grant Agreement.

Section 1.03. Wherever used in this Financing Agreement, in each case unless the context otherwise requires, the several terms defined in the Loan Regulations and the Grant Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Cambodian Riel" means riel in the currency of the Beneficiary;

(b) "Counterpart Funds" means the Cambodian Riel proceeds accruing to the Beneficiary and generated from the proceeds of the Loan and Grant under the Program and referred to in paragraph 4 of Schedule 1 and paragraph 7 of Schedule 5 to this Financing Agreement;

(c) "Eligible Items" means the production inputs/capital goods and other items described in the Attachment to Schedules 3A and 3B to this Financing Agreement as well as services in connection with the delivery and installation of such inputs/goods/items, the foreign exchange costs of which are eligible for financing out of the proceeds of the Loan and the Grant;

(d) "Grant Deposit Account" means the account referred to in paragraph 4 of Schedule 3B to this Financing Agreement;

(e) "Loan Deposit Account" means the account referred to in paragraph 4 of Schedule 3A to this Financing Agreement;

(f) "MEF" means the Ministry of Economy and Finance of the Beneficiary, and any successor thereto;

(g) "MOC" means the Ministry of Commerce of the Beneficiary, and any successor thereto;

(h) "NBC" means the National Bank of Cambodia, and any successor thereto;

(i) "Policy Letter" means the development policy letter referred to in Recital (A) of this Financing Agreement;

(j) "Policy Matrix" means the revised policy matrix as agreed between the Beneficiary and ADB and set out in the RRP which sets forth actions accomplished or to be accomplished by the Beneficiary under the Program Cluster and PPPF;

(k) "PPPF" means the post program partnership framework as agreed between the Beneficiary and ADB and set out in the Policy Matrix which sets forth actions accomplished or to be accomplished by the Beneficiary following completion of the Program Cluster Period;

(l) "Program" has the meaning specified in Recital (A) to this Financing Agreement;

(m) "Program Cluster" has the meaning specified in Recital (A) to this Financing Agreement;

(n) "Program Cluster Period" means the period from 1 September 2006 to 31 December 2010 during which the Program Cluster will be implemented;

(o) "Program Executing Agency" means, for the purposes and within the meaning of the Loan and the Grant Regulations, NBC, which is responsible for implementation of the Program;

(p) "Program Period" means the period from 1 January 2010 until 31 December 2010; and

(q) "RRP" means the Report and Recommendation of the President to the Board of Directors of ADB in relation to the Program.

## **ARTICLE II**

### **The Loan and the Grant**

Section 2.01. ADB agrees to provide to the Beneficiary:

- (i) a loan from ADB's Special Funds resources in an amount in various currencies equivalent to six million four hundred twenty six thousand Special Drawing Rights (SDR6,426,000) (the "Loan"), and
- (ii) a grant from ADB's Special Funds resources in the amount of five million Dollars (\$5,000,000) (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 Financing Agreement for purposes of financing the Program expenditures; and

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

Section 2.03. (a) The Beneficiary shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 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 15 May and 15 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 of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the 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 for the Program in accordance with the provisions of this Financing Agreement.

Section 3.02. (a) The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program in accordance with the provisions of Schedule 3A to this Financing Agreement, as such Schedule 3A may be amended from time to time by agreement between the Beneficiary and ADB.

(b) The proceeds of the Grant may be withdrawn from the Grant Account only for the purposes of financing expenditures incurred for Eligible Items under the Program in accordance with the provisions of Schedule 3B to this Financing Agreement, as such 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 Eligible Items to be financed out of the proceeds of the Loan and the Grant shall be produced in, and procured from, ADB's member countries in accordance with the provisions of Schedule 4 to this Financing Agreement. ADB shall not finance a contract for goods or services which have not been procured in accordance with procedures agreed between the Beneficiary and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

(a) are produced in, and 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) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. Except as ADB may otherwise agree, no withdrawals shall be made from the Loan and the Grant Account in respect of expenditures for Eligible Items incurred more than one hundred eighty (180) days prior to the Effective Date.

Section 3.06. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations and the Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2011 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. (a) The Beneficiary shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, and banking regulation practices.

(b) In the carrying out of the Program, the Beneficiary shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Financing Agreement.

Section 4.02. The Beneficiary shall make available, promptly as needed, the funds, facilities, services, and other resources which are required, in addition to the proceeds of the Loan and the Grant, for the carrying out of the Program and for the operation and maintenance of the Program facilities.

Section 4.03. (a) The Beneficiary shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and the Grant and to record the progress of the Program Cluster.

(b) The Beneficiary shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.04. The Beneficiary shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program and the operation of the Program facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Beneficiary shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program Cluster, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter and Policy Matrix.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Beneficiary shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program Cluster and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter. These reports shall be used at the completion of the Program Cluster to produce a comprehensive report on the overall impact of the policy reforms and actions set out in the Policy Letter and Policy Matrix.

## **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, respectively:

(a) the Loan and Grant Deposit Accounts shall have been nominated or opened as provided in paragraph 4 of Schedules 3A and 3B respectively to this Financing Agreement; and

(b) all reform actions and measures, as specified in the Policy Matrix relating to the Program, shall have been taken or achieved and be completed to the satisfaction of ADB.

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  
Phnom Penh, Cambodia

## Facsimile Numbers:

+855 23 427 798  
+855 23 428 424

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

## Facsimile Numbers:

+63 2 636 2444  
+63 2 636 2331.

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



KEAT CHHON  
Deputy Prime Minister  
Minister of Economy and Finance

ASIAN DEVELOPMENT BANK

By



PUTU M. KAMAYANA  
Country Director  
Cambodia Resident Mission

## SCHEDULE 1

### Description of the Program Cluster and Program

1. The principal objective of the Program Cluster is to promote the development of a sound, market-based financial system to enhance resource mobilization and to support sustainable economic growth. The Program Cluster is described in more detail in the Policy Letter and the Policy Matrix.
2. The Program scope includes reforms to: (a) improve financial intermediation by upgrading the payments, clearance and settlement system, enhance market confidence and public financial disclosure; (b) enhance the legal and regulatory framework to support financial activities and strengthen prudential supervision of banks and microfinance institutions; (c) promote good governance including implementing international initiatives on anti-money laundering and preventing financing of terrorism and enhancing corporate governance and transparency in the insurance industry; (d) establish commercial dispute resolution mechanisms; (e) improve the capability of qualified national accountants and auditors; (f) computerize and integrate key operating functions of the NBC, and (g) upgrade the skills and capacity of microfinance agency staff.
3. The Program actions are being implemented during the Program Period.
4. In support of the Program:
  - (a) the proceeds of the Loan and the Grant shall be used to finance the foreign exchange costs of Eligible Items; and
  - (b) the Counterpart Funds shall be primarily used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 7 of Schedule 5 to this Financing Agreement.
5. The proceeds of the Loan and Grant are expected to be disbursed in a single tranche and utilized by 30 June 2011.

**SCHEDULE 2****Amortization Schedule  
(Financial Sector Program II - Subprogram 4)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights) <sup>*</sup>
15 May 2019	200,813
15 November 2019	200,813
15 May 2020	200,813
15 November 2020	200,813
15 May 2021	200,813
15 November 2021	200,813
15 May 2022	200,813
15 November 2022	200,813
15 May 2023	200,813
15 November 2023	200,813
15 May 2024	200,813
15 November 2024	200,813
15 May 2025	200,813
15 November 2025	200,813
15 May 2026	200,813
15 November 2026	200,813
15 May 2027	200,813
15 November 2027	200,813
15 May 2028	200,813
15 November 2028	200,813
15 May 2029	200,813
15 November 2029	200,813
15 May 2030	200,813
15 November 2030	200,813
15 May 2031	200,813
15 November 2031	200,813
15 May 2032	200,813
15 November 2032	200,813
15 May 2033	200,813
15 November 2033	200,813
15 May 2034	200,813
15 November 2034	<u>200,797</u>
<b>Total</b>	<b>6,426,000</b>

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\* 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**

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) Withdrawals from the Loan Account shall be made for the financing of the foreign exchange cost of Eligible Items.

(b) No withdrawals from the Loan Account shall be made in respect of (i) any local expenditures; or (ii) any foreign exchange expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

3. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Beneficiary and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Beneficiary confirming that: (i) in case the proceeds of the Loan will finance imports already made, the value of Eligible Imports in the period concerned exceeded the amount of the requested withdrawal, or (ii) in case the proceeds of the Loan will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Loan Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Beneficiary during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in the Attachment to Schedules 3A and 3B; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans and grants made by ADB.

(d) The Beneficiary shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Beneficiary has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Beneficiary shall open or nominate an account (the Loan Deposit Account) at NBC into which all withdrawals from the Loan Account shall be deposited. The Loan Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Loan Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Beneficiary shall have the Loan Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Beneficiary shall submit trade statistics and any other information as ADB may require from time to time to assess the Beneficiary's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provisions of this Financing Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account unless ADB shall be satisfied based on evidence satisfactory to ADB and after consultation with the Beneficiary, that there has been no action which materially reverses the objectives of the Program.

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

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Grant proceeds from the Grant Account.

2. (a) Withdrawals from the Grant Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawals from the Grant Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

3. (a) An application for withdrawal from the Grant Account shall be submitted to ADB by the Beneficiary and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Beneficiary confirming that: (i) in case the proceeds of the Grant will finance imports already made, the value of Eligible Imports in the period concerned exceeded the amount of the requested withdrawal, or (ii) in case the proceeds of the Grant will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Grant Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Beneficiary during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in the Attachment to Schedules 3A and 3B; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans made by ADB.

(d) The Beneficiary shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Beneficiary has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Grant Account, the Beneficiary shall open or nominate an account (the Grant Deposit Account) at NBC into which all withdrawals from the Grant Account shall be deposited. The Grant Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Grant Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Beneficiary shall have the Grant Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Beneficiary shall submit trade statistics and any other information as ADB may require from time to time to assess the Beneficiary's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provisions of this Financing Agreement or the Grant Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Grant Account unless ADB shall be satisfied based on evidence satisfactory to ADB and after consultation with the Beneficiary, that there has been no action which materially reverses the objectives of the Program.

**List of Eligible Items**

1. Loan and Grant proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods required during the Program.
2. No withdrawals will be made for the following:
  - (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Beneficiary:

**Table A12: Ineligible Items**

<b>Chapter</b>	<b>Heading</b>	<b>Description of Items</b>
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Beneficiary or of goods supplied from the territory of the Beneficiary;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Beneficiary or international agreements to which the Beneficiary is a party; and
- (vii) expenditures on account of any payment prohibited by the Beneficiary in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.



## **SCHEDULE 4**

### **Procurement**

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Loan and Grant.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Beneficiary's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

## SCHEDULE 5

### Program Management and Other Matters

#### Program Management

1. The Beneficiary shall ensure that: (a) the NBC continues its responsibilities as the Program Executing Agency for the Program Cluster, the Program and the PPPF implementation activities, reporting to ADB, administering and disbursing the Loan and Grant proceeds, and maintaining accounts; (b) a senior NBC officer who has been appointed as program director under the Program Cluster supervises and assists in coordinating day-to-day Program implementation; and (c) NBC coordinates with MEF and MOC, (the Implementing Agencies) which are responsible for carrying out certain reform measures under the Program and the PPPF.

2. The Financial Sector Steering Committee, established under an earlier program, (the Steering Committee), chaired by the governor of the NBC, and comprising senior officers from MEF, MOC, NBC and relevant line agencies of the Beneficiary involved in Program Cluster actions and activities, shall be responsible for coordinating the implementation and the sustaining of the Program and the PPPF actions. The Beneficiary shall cause the Steering Committee to: (a) meet as required to: (i) review progress reports from the Program technical working group, (ii) monitor progress and oversee the implementation of the Program Cluster, and (iii) provide guidance and direction to the Program Executing and Implementing Agencies, and relevant line agencies of the Beneficiary involved in Program Cluster actions and activities; and (b) ensure that the reforms are undertaken in line with the agreed timetable. The Steering Committee may invite ADB to participate in its meetings as an observer.

#### Implementation of the Policy Letter and Policy Matrix

3. The Beneficiary shall ensure that: (a) the policies adopted and actions taken prior to the date of this Financing Agreement under the Program as described in the Policy Letter and the Policy Matrix, continue in effect; and (b) all reasonable measures are undertaken to implement the reform actions set out in the PPPF.

#### Policy Dialogue

4. The Beneficiary shall keep ADB informed of, and the Beneficiary and ADB shall from time to time exchange views on, sector issues, policy reforms and additional reforms arising during the implementation of the Program Cluster and the PPPF, that may be considered necessary or desirable, including the progress made in carrying out policies and actions set out in the Policy Letter and the Policy Matrix.

5. The Beneficiary shall promptly discuss with ADB problems and constraints encountered during implementation of the Program Cluster and the PPPF, and appropriate measures to overcome or mitigate such problems and constraints.

6. The Beneficiary shall keep ADB informed of policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program Cluster and the PPPF, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Beneficiary shall take ADB's views into consideration before finalizing and implementing any such proposals.

#### Counterpart Funds

7. The Beneficiary shall ensure that the Counterpart Funds are primarily used to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program Cluster and shall provide the necessary budget appropriations to finance the structural adjustment costs relating to the implementation of reforms under the Program and the PPPF.

#### Governance and Anticorruption

8. The Beneficiary, in addition to its compliance with ADB's Anticorruption Policy (1998, as amended to date), shall undertake other measures to ensure good governance, accountability, and transparency under the Program. More specifically, the Beneficiary shall implement in a timely manner, the mitigation measures agreed upon by the Beneficiary and set out in the risk assessment and risk management plan in the RRP.

#### Program Performance Monitoring and Review of Program Cluster and PPPF

9. The Beneficiary shall ensure that: (a) within one (1) month of the Effective Date, the Program Performance Management System (PPMS), previously established by NBC under the Program Cluster, is updated in a form acceptable to ADB and in accordance with PPPF performance indicators agreed with ADB; (b) the NBC undertakes periodic reviews in accordance with the PPMS to evaluate the scope, implementation arrangements, progress, achievements, and impacts of the objectives of the PPPF; and (c) the NBC is responsible for maintaining all monitoring data and evaluating benefits of the Program and the PPPF. To facilitate the ADB's semiannual reviews of Program Cluster and PPPF implementation, the Beneficiary shall provide relevant macroeconomic and financial data and related information in such detail as ADB may reasonably request. The reviews shall form the basis for discussions between the Beneficiary and ADB on further reforms and measures that may be considered necessary or desirable to promote the continued development of the financial sector.

10. The Beneficiary shall ensure that: (a) reporting to evaluate the scope, implementation arrangements, impact and achievement of the objectives of the Program Cluster and the PPPF following the Program Period is made by the Implementing Agencies to the NBC which will in turn, report to ADB; and (b) the NBC and the Implementing Agencies will, as needed, hold consultative meetings with stakeholders and development partner community to solicit their feedback on proposed and existing relevant regulations and the impact of the Program Cluster and PPPF.

11. The Beneficiary shall cause the NBC in coordination with the Implementing Agencies to submit a Program completion report to ADB within six (6) months after the Effective Date that assesses compliance with, and impact of, the agreed actions under the Program and Program Cluster. The report will be prepared and submitted to ADB, showing the overall outcomes and output results of the Program Cluster and taking into account the interim completion reports prepared for the Program Cluster's subprograms 1, 2, and 3. The Beneficiary shall encourage partner development agencies, business groups and other sector stakeholders to support monitoring of the reforms and agreed actions under the Program Cluster and the PPPF.