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ជាតិ សាសនា ព្រះមហាក្សត្រ
KINGDOM OF CAMBODIA
Nation Religion King

ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ
MINISTRY OF ECONOMY AND FINANCE

N° 765 MEF/ *pic*

Date: 14 February, 2012

Ms. Annette Dixon

Country Director for Cambodia
East Asia and Pacific Region
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Subject: Request for an Extension of the Closing date and Amendment to Multi-Donor Trust Fund Grant Agreement No. TF 093573 for Trade Development Support Program (TDSP)

Dear Ms. Annette Dixon,

We are writing on behalf of the Royal Government of Cambodia (RGC) to request the amendments to the Multi-Donor Trust Fund Grant Agreement dated January 14, 2009 entered into between the Kingdom of Cambodia as the recipient and the International Development Association (IDA) acting as the administrator of the Multi-Donor Trust Fund (MDTF) for the Trade Related Assistance in Cambodia.

In this connection, the Ministry of Economy and Finance, at the request of the Ministry of Commerce, proposes the amendments to the above mentioned MDTF Grant Agreement as follows:

Amendment No. 1: The closing date of the MDTF Agreement referred above is to be extended till March 31, 2014 (24 months from the current closing date of March 31, 2012).

Amendment No. 2: The grace period would be four months from March 31, 2014.

Amendment No. 3: All goods, works, and services required for the Program and to be financed out of the proceeds of the Grant shall be procured in accordance with the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the World Bank in January 2011.

The above requested amendments to the MDTF Agreement are deemed necessary due to the following reasons:

- (a) The assessment of the recently completed implementation support mission (December 2011) confirms that the changes implemented by the World Bank and the Royal Government of Cambodia (RGC) following the Mid-Term Review of November 2010 have resulted in a significant improvement in the Program performance and built momentum towards the successful achievements of the Project Development Objectives (PDOs). The implementation support mission confirms that the operational performance of the program is now ranked as Satisfactory, with the overall program rating now at Satisfactory.
- (b) Towards the end of the current closing date of March 31, 2012, the program will have an available undisbursed MDTF grant funds approximately 73% after considering the cumulative disbursements till December 31, 2011 (Please refer to the Monthly Disbursement Summary – 31 December 2011) and projected cumulative disbursements as at March 31, 2012 would amount to US\$ 3.34 Million.

- (c) Commitments now total \$6.6 million, representing more than 50% of the Grant Funds, and strategic proposals have been prepared and are under consideration for a further \$2 million. Comprehensive Roadmaps for all three Pillars are finalized and endorsed, thus paving the way for increased disbursement.

Considering the increased level of activities to implement all the current and potential projects under preparation, and to meet all expenses, especially the ones with strategic nature, it is paramount that sufficient cash balance is maintained in the designated account.

- (d) In order to demonstrate how the remaining funds would be utilized, TDSP has prepared a comprehensive Activity Plan and Budget for 2012 and 2013, incorporating the present and potential MOUs, and related cost totaling US\$ 8.96 Million. This Activity Plan and Budget was shared with the recently concluded Implementation Support Mission of the World Bank and the external review consultants.
- (e) Strategic projects need time to implement. The implementation of several key strategic projects will enable to meet TDSP Project Development Objectives. These projects include: 1) ICT Master Plan of Ministry of Commerce; 2) Capacity Enhancement Program of General Department of Customs and Excise (GDCE); 3) Implementing Agency Capacity Enhancement Program; 4) National Standards for Rice and Strengthening the Capacity of Conformity Assessment Body and 5) Better Quality and Safety of Fish and Fishery Products for Improving Fish Trade Development in Cambodia.

The other 16 ongoing projects need time to mature and are unlikely to be completed by the program closing date.

- (f) An extension of 24 months is necessary to ensure sustained disbursement and continued progress towards Project Development Objectives (PDOs). The extension being requested has the full support of all donors to the trust fund. The World Bank Country Management team acknowledges the significant improvement in program performance over the past 12 months and is now satisfied that an extension of 24 months is justified.
- (g) The External Review Mission by ECORYS in December 2011 appreciated the progress made and recommended the extension of TDSP. The recently completed implementation support mission conducted by the World Bank also recommended an extension of 24 months.

We consider that the above-mentioned reasons to be valid, justified and acceptable to the IDA and we look forward to receiving the IDA's approval on this request.

Please accept, **Ms. Annette Dixon**, the assurances of our high consideration.

Yours sincerely, 



Keat Chhon
Deputy Prime Minister
Minister of Economy and Finance

- Encl.: i) Monthly Disbursement Summary – December 2011
ii) Summary of Activity Plan and Budget for 2012 & 2013
iii) Aide Memoire of Project Support Mission – December 2011
iv) Report of ECORYS – The External Review Consultants – December 2011

Cc: - Ministry of Commerce
-World Bank Cambodia Country Office



World Bank Monthly Disbursement Summary - December 2011

Country: Cambodia

Project: P109648 Cambodia Trade Development Support Program (RETF093573)

Summary									
Loan:	TF 93573-001 KH								
	The undisbursed balance on 01-Dec-2011:						10,045,303.98		
	The total posted in the month of December 2011:						119,733.85		
	The undisbursed balance on 31-Dec-2011:						9,925,570.13		
Loan status on December 31, 2011:									
Commit Ccy	Total	Cancelled	Net	Disbursed	Undisbursed	Committed	Available		
USD	12,350,000.00	0.00	12,350,000.00	2,424,429.87	9,925,570.13	0.00	9,925,570.13		
Total Disbursed as Percentage of Net Allocated Amount			19.63 %						

Payment / Cancellation Details										
Borr Ref / Transaction	WB TN	Categ	Payee Name	Value Date	DA/SC	Application Currency	Paid	Paid/Cancelled	Cost Ccy	Paid
							Amount in Appl Ccy	Amount in Commt Ccy		Amount in Cost Ccy
28-REPLE	0027		CAMBODIA TRADE DEVELOPMENT	19-Dec-2011	DA-A	USD	119,733.85	119,733.85	USD	119,733.85
Total								119,733.85		

Expenditure Details							
Borr Ref / Transaction	WB TN	Categ	DA/SC	Application Currency	Documented Amount	Documented	
					in Appl Ccy	Amount in Commt Ccy	
28-REPLE	0027	1	DA-A	USD	159,802.94	159,802.94	
28-REPLE	0027	3	DA-A	USD	11,330.91	11,330.91	
Total						171,133.85	

Monthend Status of Categories						
Categories	Description	Net	Documented/ Disbursed	Undocumented/ Undisbursed	Committed	Available
1	TF93573 - WO, GO, CS,TRNG,WS & IOC	10,350,000.00	2,103,847.50	8,246,152.50	0.00	8,246,152.50
2	MBPI Part C1 UP TO 12.31.09	0.00	0.00	0.00	0.00	0.00
3	POC PART C OF THE PROJECT	2,000,000.00	31,982.37	1,968,017.63	0.00	1,968,017.63
DA-A	SPECIAL ACCOUNT - DA	0.00	288,600.00	288,600.00-	0.00	288,600.00-
Total		12,350,000.00	2,424,429.87	9,925,570.13	0.00	9,925,570.13

Abbreviations Used

USD United States Dollars
DA Designated Account

Trade Development Support Program

Summary of Budget from Action Plan - 2012 & 2013

No	Component & Sub Component	Total	2012			2012	2013
			Jan-Mar	Apr-Dec	Jan-Dec		
1	Trade Policy Formulation and Implementation	4,949,755	402,173	3,473,322	3,875,494	3,875,494	1,074,261
1.1	Technical Barriers to Trade and Sanitary and Phyto-Sanitary	1,651,792	97,399	1,121,817	1,219,216	1,219,216	432,576
1.2	Trade Facilitation	2,698,855	226,959	2,045,246	2,272,205	2,272,205	426,650
1.3	Other legal reforms and RGC WTO Obligation	599,108	77,815	306,259	384,074	384,074	215,034
		-					
2	Performance Monitoring	167,212	20,700	59,906	80,606	80,606	86,606
		-					
3	Institutional and Human Capacity	1,703,065	313,767	905,521	1,219,288	1,219,288	483,777
		-					
4	Implementation Support to the TDSP	1,623,188	183,966	714,640	898,607	898,607	724,581
	Total	8,443,220	920,606	5,153,389	6,073,995	6,073,995	2,369,225

Add: Potential Project Proposals

Notes

1	Automating IP Administration System (1.2)	b	296,000	-	44,400		44,400	251,600
2	Capacity Building of Internal Audit Department/MOC (3)	c	356,000	-	35,600		35,600	320,400
3	SEZ Automation (1.2)	d	31,400	-	31,400		31,400	-
4	Support to GPSF (3)	e	300,000	-	30,000		30,000	270,000
5	Electronic Platform to support exporting Agricultural Products (1.2)	f	300,000	-	30,000		30,000	270,000
6	Provision for Contingency	g	220,456	-	22,046		22,046	198,410
	Total Estimated Costs of Potential Projects		1,503,856	-	193,446	-	193,446	1,310,410

Total Estimated Projection of 2012/2013

9,947,076 920,606 5,346,835 6,073,995 6,267,441 3,679,635

Add: Disbursements as at 31/12/2011

2,402,924 - -

Total of projected Grant fund usage by end of TDSP

12,350,000 920,606 5,346,835 6,073,995 6,267,441 3,679,635

Notes

- a For all the potential projects, the proposal budget details are not available officially. Therefore the respective components have not been identified yet.
- b IP Department has informally submitted a proposal for comments.
- c The Internal Audit Department has submitted a proposal. Even though DICO couldn't find the related Pillar focus this proposal has not proceeded further, as this area has been stated in the GGF, there may be a possibility for this proposal to be considered.
- d - f These are strategic proposals provided by the consultant hired by the World Bank under the bank managed funds. Though the budget amounts have not been finalised, the amounts stated are estimates only.
- g The balancing amount of US\$ 220,456 has been considered as contingency to meet any contingencies and shared among all the components in the indicative summary.

	Disbursement Category	Total	2012			2012	2013
			Jan-Mar	Apr-Dec	Jan-Dec		
A	Civil Work					-	-
B	Goods	1,983,826	286,412	1,446,893	1,733,305	1,733,305	250,521
C	Consultant Service	4,128,029	480,968	2,191,488	2,672,456	2,672,456	1,455,573
D	Training/Workshop	1,438,234	82,291	1,033,983	1,116,274	1,116,274	321,960
E	Incremental Operation Cost	744,332	52,335	425,226	477,561	477,561	266,771
F	Priority Operating Cost	148,800	18,600	55,800	74,400	74,400	74,400
		-					
	Total	8,443,220	920,606	5,153,389	6,073,995	6,073,995	2,369,225

Total Estimated Costs of Potential Project Proposal

1,503,856 - 193,446 - 193,446 1,310,410

Total Estimated Projection for 2012 & 2013

9,947,076 920,606 5,346,835 6,073,995 6,267,441 3,679,635

Add: Disbursements as at 31/12/2011

2,402,924 - - - -

Total of projected Grant fund usage by end of TDSP

12,350,000 920,606 5,346,835 6,073,995 6,267,441 3,679,635

Note:

- a As the potential proposal budget details are not available officially, the respective disbursement categories have not been identified yet.