

Document of
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PROJECT APPRAISAL DOCUMENT
ON A
PROPOSED GRANT
IN THE AMOUNT OF US\$12.35 MILLION EQUIVALENT
TO THE
THE GOVERNMENT OF CAMBODIA
FOR A
TRADE DEVELOPMENT SUPPORT PROGRAM

December 19, 2008

Poverty Reduction and Economic Management Unit
East Asia and Pacific Region

GOVERNMENT FISCAL YEAR

January 1 – December 31

CURRENCY EQUIVALENTS

Exchange Rate as of December 17, 2008

Currencies	CR	=	Cambodian Riel
	DKK	=	Danish Kroner
	EU	=	Euros
	US\$	=	United States Dollars
	CR 4,038	=	US\$1
	EU 0.7113	=	US\$1
	DKK 5.2992	=	US\$1

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ABBREVIATIONS AND ACRONYMS

ACG	Anti-Corruption Guidelines (of the WB Group)	NBC	National Bank of Cambodia
AOP	Annual Operational Plan	NGO	Non Government Organization
APR	Annual Progress Report	NOL	No Objection Letter
ASEAN	Association of South-East Asia Nations	NSDP	National Strategic Development Plan
ASYCUDA	Automated System for Customs Data	OSS	One Stop Service
CED	Customs and Excise Department	PER	Public Expenditure Review
CPIA	Country Policy and Institutional Assessment	PHRD	Japan Policy and Human Resources Development Trust Fund
CSO	Civil Society Organization	PM	Procurement Manual (for Externally Assisted Projects)
D/ICO	Department for International Cooperation	PRGF	Poverty Reduction and Growth Facility
DTIS	Diagnostic Trade Integration Strategy	PRGO	Poverty Reduction and Growth Operation
FM	Financial Management	QPPR	Quarterly Portfolio Performance Review
G-PSF	Government-Private Sector Forum	RGC	Royal Government of Cambodia
IAD	Internal Audit Department (of MoC)	SAD	Single Administration Document
IAS	International Accounting Standards	SBD	Standard Bidding Document
IBRD	International Bank for Reconstruction and Development	SDR	Special Drawing Rights
IC	Implementation Committee	SEZ	Special Economic Zone
IDA	International Development Association	SOE	Statement of Expenses
IFC	International Finance Cooperation	SOP	Standard Operating Procedures (for Externally Assisted Projects)
IFRs	Interim Financial Reports	SPS	Sanitary and Phyto-Sanitary
IMF	International Monetary Fund	SSC	Sub-Steering Committee
IPA	Independent Procurement Agent	TBT	Technical Barriers to Trade
JBIC	Japan Bank for International Cooperation	TDSP	Trade Development Support Program
JICA	Japan International Cooperation Agency	TFCP	Trade Facilitation and Competitiveness Project
M&E	Monitoring and Evaluation	TFFT	Trust Fund Facilitation Team
MAFF	Ministry of Agriculture, Forestry and Fisheries	TFSC	Trust Fund Steering Committee
MBPI	Merit-Based Performance Incentive	TIW	Trade Information Website
MDTF	Multi Donor Trust Fund	TTL	Task Team Leader
MEF	Ministry of Economy and Finance	UNCTAD	United Nations Conference on Trade and Development
MIME	Ministry of Industry Mines and Energy	UNIDO	United Nations Industrial Development Organization
MoC	Ministry of Commerce	WB	World Bank
MOU	Memorandum of Understanding	WTO	World Trade Organization
MULTRAP	Multilateral Trade Assistance Project		

CAMBODIA
Trade Development Support Program
(TDSP)

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CAMBODIA

TRADE DEVELOPMENT SUPPORT PROGRAM

PROJECT APPRAISAL DOCUMENT

EAST ASIA AND PACIFIC

EASPT

Date: December 19, 2008 Country Director: Annette Dixon Sector Director: Vikram Nehru Project ID: P109648 Lending Instrument: Specific Investment Loan	Team Leader: Stéphane Guimbert Sectors: General industry and trade sector (100%) Themes: Export development and competitiveness (P); Trade facilitation and market access (P); Other trade and integration (P) Environmental screening category: Not Required		
Project Financing Data			
[] Loan [] Credit [X] Grant [] Guarantee [] Other: This grant is funded by Donors: DANIDA, EUROPEAN COMMISSION and UNIDO			
For Grants: Total Operation Cost (US\$m.): 12.60			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
Borrower	0.25	0.00	0.25
Cambodia Trade Development Trust Fund	0.00	12.35	12.35
Total:	0.25	12.35	12.60
Amount of financing to be provided by			
Source	Amount (US\$m)		
Trust Fund Program	12.35		
Borrower/Recipient	0.25		
Total Project Cost	12.60		
Grant Recipient: Royal Kingdom of Cambodia Responsible Agency: Ministry of Commerce No 20 A&B, Norodom Blvd Phnom Penh Cambodia			

Estimated disbursements (Bank FY/US\$m)									
FY	2009	2010	2011	2012	2013				
Annual	0.80	1.20	3.50	3.50	3.35				
Cumulative	0.80	2.00	5.50	9.00	12.35				
Project implementation period: 3 years and 3 months Expected effectiveness date: January 15, 2009 Expected closing date: March 31, 2012									
Does the project depart from the CAS in content or other significant respects? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD I.C.</i>									
Does the project require any exceptions from Bank policies? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD IV.G.</i>									
Have these been approved by Bank management? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No									
Is approval for any policy exception sought from the Board? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No									
Does the project include any critical risks rated "substantial" or "high"? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD III.E.</i>									
Does the project meet the Regional criteria for readiness for implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD IV.G.</i>									
Project development objective <i>Ref. PAD II.C., Technical Annex 3</i> The Trade Development Support Program will contribute to increase the Royal Government of Cambodia's efficiency in formulating and implementing effective trade policies.									
Project description <i>Ref. PAD II.D., Technical Annex 4</i> Component A – Trade Policy Formulation and Implementation: support the Government's trade strategy, in particular (i) technical barriers to trade and sanitary and phyto-sanitary measures; (ii) trade facilitation; and (iii) other legal reforms and World Trade Organization obligations Component B – Performance Monitoring: support to surveys and monitoring tools to assess progress in implementing the Government's trade strategy and provide evidenced-based feedback Component C – Institutional and Human Capacity: support to the development of strengthened institutions, stronger incentives, and improved technical ability to formulate and implement the Government's trade policy Component D – Implementation Support to TDSP									
Which safeguard policies are triggered, if any? <i>Ref. PAD IV.F., Technical Annex 10</i> NONE									
Significant, non-standard conditions, if any , for: <i>Ref. PAD III.F.</i> Board presentation: None Grant effectiveness: Financial Advisor recruited Covenants applicable to project implementation: TDSP Operational Manual acceptable to IDA adopted (one month after effectiveness)									

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and sector issues

1. **Cambodia has achieved a remarkable period of sustained growth over the last decade.** At almost 10 percent per annum for 10 years, economic growth has led to a profound structural change of the country. Poverty has been reduced by around 1 percentage point per year, down to 35 percent in 2004. The structure of the economy, although still predominantly based on agriculture, is shifting towards services and industries. Exports have taken off, driven mainly by the garment sector. International reserves have increased. And private investment is gradually taking over externally-financed public investment.

2. **Trade and openness have largely contributed to these achievements.** Cambodia is a small open economy situated in the very dynamic sub-region of South East Asia. After liberalizing its economy and its trade regime in the 1990s, Cambodia joined the ASEAN in 1999 and was the first Least Developed Country to join the World Trade Organization (WTO) in 2004. Exports of garments and tourism have been key drivers of economic growth over the last decade.

3. **Private Sector Development (PSD) and export-led growth are critical components of the National Strategic Development Plan (NSDP).** A number of strategies and action plans have been adopted over the years, covering trade, small and medium enterprises, investment climate, and financial sector. Progress against them is overall positive albeit slow (Annex 1). Achievements include: WTO accession; significant progress in reforming the legal framework for commercial activities; and initial computerization of customs and implementation of a risk management strategy. High level of foreign direct investment (around 6 percent of GDP in recent years), continued export growth (23 percent per annum since 1998), and rapid deepening of the financial sector are a testimony to these achievements.

4. **Nevertheless, poverty remains deep and challenges to sustain rapid growth remain many.** With GDP per capita around US\$600 in 2007, Cambodia remains a very poor country. Social indicators, despite improvements (except maternal mortality), remain very weak. Although the macro-economy has been well managed, inflation has picked up during the latter part of 2007 as the country is facing a significant adverse terms-of-trade shock. Exports are still poorly diversified, and the growth of the main merchandise export – garments to the United States – has slowed down considerably in 2007/08. As evidenced by a number of surveys and case studies (including Investment Climate Assessments and Doing Business Indicators), the business environment remains challenging in many aspects. The quality of infrastructure and education is poor. Access to finance is also limited, despite the recent rapid growth. The incidence of labor disputes has recently increased significantly. Dispute resolution mechanisms remain weak. Regulations are either absent (or not enforced), or costly (with significant informal payments).

5. **The Royal Government of Cambodia (RGC) places good governance at the center of the NSDP.** Poor governance is indeed the primary constraint on development in general. Poor governance is a constraint on households, as reflected by its impact on land rights (hence farm revenues) or service delivery. Public expenditure tracking surveys in education and health have revealed the impact of poor governance (including weak PFM practices and leakages of funds)

on service delivery, especially to the poorest. Good governance has also been a core message advocated by the civil society. Poor governance also harms the private sector: enterprise surveys consistently place corruption as the first constraint on the business environment; the Doing Business indicators place Cambodia at the 145th place among 178 economies. Poor governance is also noted in natural resource management, with continued issues of weak management of common pool resources, encroachment on private land, and land grabbing.

6. **More specifically in the trade area, challenges include both weak government capacity and non-transparent rules or fees**, i.e. both too much and too little government. Legal reform has made progress in a number of areas in recent years (although the agenda agreed during WTO accession is unfinished), but enforcement remains very weak. In the area of trade facilitation, physical inspection of consignments is almost systematic and fees are numerous. Despite progress in recent years, this adds up to costs and uncertainties for both importers and exporters. In the same area, the absence of a good transit regime or of food safety and many other standards also weakens the trade potential. In terms of licenses, despite progress in some areas – such as the one-stop services at the Cambodia Investment Board (CIB) or at Special Economic Zones (SEZ) – the regulatory burden remain significant for small and medium firms, which often opt for the informal sector.

7. **In this context, the RGC completed a Diagnostic for Trade Integration Strategy (DTIS) in 2007 and has embarked on a Trade Sector Wide Approach (SWAp) in 2008.** This positions Cambodia to set good practice standards for the Enhance Integrated Framework (EIF).

- (a) Building on the 2002 Integrated Framework (IF), the 2007 DTIS reviews developments in key trade-related policies, including tariff and other restrictions; trade facilitation; legal reform; Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS) measures; Intellectual Property Rights (IPR); and investment promotion. It also reviews the global environment for Cambodia and concludes that tariff advantages are unlikely to drive future export growth. It derives from this the need to diversify exports and export markets and identifies 19 products for potential diversification.
- (b) In view of the challenges of coordinating a significant number of Government agencies and Development Partners (DPs), the RGC has started to develop a Trade SWAp, led by the Ministry of Commerce (MoC). As a vehicle to implement the DTIS, the Trade SWAp seeks to bring together activities in the trade area, around a common monitoring framework and with a consolidated three-year rolling reform plan. It is structured to address issues in three broad areas called strategic “pillars”:
 - (i) Reforms and cross-cutting issues for trade development (legal reforms, trade facilitation, technical barriers to trade, improving sanitary and phyto-sanitary regulation and practice).
 - (ii) Product and service sector export development (sector-specific reforms, with a focus on the products identified in the DTIS); and

- (iii) Capacity building for trade development and for the management of trade development (building competencies, institutional functionality, and information and accountability systems).

8. **With the direction outlined in the DTIS and the willingness of stakeholders to participate in a Trade SWAp, DPs have also agreed to mobilize financial support for remedial actions through a Multi Donor Trust Fund (MDTF) for Trade Related Assistance in Cambodia.** This approach would serve to harmonize the approaches to provide assistance by donors, assure that priorities in donor financing matched those of the DTIS, and to minimize administrative costs for the RGC. This MDTF (outlined in Annex 6) would finance, *inter alia*, the Trade Development Support Program (TDSP) described in this document

B. Rationale for Bank involvement

9. **The proposed TDSP is fully consistent with the first pillar of the Country Assistance Strategy (CAS) on PSD.** The importance of this pillar reflects (i) the role of trade in the country's growth strategy and (ii) the opportunities in the sector to make progress in the area of governance. In particular, as noted in the CAS, improving the governance of the sector (through process simplification, automation, increased transparency, and deeper accountability) is of critical importance: the proposed TDSP will support the implementation of legal reform in the PSD area, a risk management strategy for trade facilitation, institutional reforms toward stronger accountability, and private sector monitoring for better accountability. The CAS also stresses the importance of export diversification in sustaining rapid growth: the proposed TDSP will contribute to that objective through facilitating trade and removing SPS and TBT obstacles to trade. The proposed operation fits with ongoing analytical work (including the DTIS and the Second Investment Climate Assessment, under preparation), ongoing technical assistance (including the Trade Facilitation and Competitiveness Project), and policy dialog (including through a series of Development Policy Operations, the Poverty Reduction and Growth Operations, PRGO).

10. **The proposed design is also in line with the CAS objective of harmonization and alignment.** Although the Trade SWAp does not have all the attributes of a sector-wide approach, it will enable the RGC and its DPs to make significant progress in coordinating external assistance in this sector. The initial three financing DPs – Denmark, the European Commission, and UNIDO – intend to use the TF approach as a mechanism to make significant progress toward more effective aid delivery mechanisms in the sector.

C. Higher level objectives to which the project contributes

11. **The proposed TDSP would contribute to two higher level objectives: (i) faster export growth and (ii) improved governance to enable private sector development.** These two related objectives are in line with the NSDP and the CAS. In addition, consistent with the higher level objectives of better civil service delivery and greater accountability, the proposed program will also support the Government's commitment to its administrative reform agenda by introducing the MBPI program in trade-related agencies. The MBPI will contribute to improving the institutional environment and technical capacity for trade policy development and

implementation through equitable salary structures and meritocratic civil service management principles. The incentives program will phase out and eliminate the use of various supplemental salary schemes among donor partners and initiate a mechanism for a harmonized and sustainable civil service payment structure.

II. PROJECT DESCRIPTION

A. Financing Instrument

12. **The TDSP is prepared as an ‘investment lending’ operation and appraised following World Bank Specific Investment Loan (SIL) guidelines.** The TDSP itself will be structured to finance activities in trade-related agencies, with overall management by the Ministry of Commerce. The allocation would be based on Annual Operational Plans (AOPs) derived from the Trade SWAp, hence aligning with the RGC’s trade strategy and with its support from other DPs. The TDSP would provide a flexible financing instrument promoting incremental progress towards the goals of a SWAp in cooperation with other DPs. The TDSP would be financed from resources mobilized through the MDTF, which is a multi donor trust fund administered by the World Bank (Annex 6).

13. **The initial allocation to the TDSP is US\$12.60 million (US\$12.35 million from MDTF and US\$0.25 represents counterpart funding) to be implemented over 3 years and 3 months.**

B. Project development objective and key indicators

14. **The Trade SWAp’s objective is to support the implementation of key recommendations of the DTIS that aims to develop and diversify exports, and maximize the contribution of trade to growth and poverty reduction.** DP support provided to the Government for its implementation of the DTIS would aim to follow common arrangements, set out in Partnership Principles agreed with the RGC.

15. **The TDSP’s development objective is to increase RGC’s efficiency in formulating and implementing effective trade policies.** This is expected to lead to transparent and effective trade-related transactions, export competitiveness, and growth. The TDSP’s focus is on establishing an enabling environment that maximizes the impact of, and reduces the risk to, other sector- and product-specific trade promotion and development activities.

16. **The TDSP’s impact on overall DTIS implementation** will be evaluated through indicators capturing evidence of improved policy, planning, and implementation (including development and use of a monitoring and evaluation framework to improve planning and management); broad commitment and ownership of the sector-wide process; and progress in DTIS implementation (Annex 3). The TDSP will in particular support the development and implementation of a sound results framework for the overall Trade SWAp.

C. Project components

17. **The TDSP would have four components supporting the implementation of the Trade SWAp.** Component 1 would mainly support the first pillar on cross-cutting reforms. Components 2 and 3 would support the third pillar on capacity. All three components would give priorities to reform and capacity development that would enable growth in the priority sectors identified in the DTIS and supported by the second pillar of the Trade SWAp. Component 4 seeks to build implementation capacity for the TDSP and, by extension, the Trade SWAp.

Component 1: Trade Policy Formulation and Implementation

Component 1a: Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS)

18. This first sub-component will support activities to accelerate the implementation of Government's commitments in the area of SPS and TBT. Most of the products identified as high export potential by the DTIS 2007 are SPS sensitive and both SPS and TBT are increasingly important and challenging for Cambodian exporters. The initial set of activities agreed responds to a demand formulated by the private sector to document and disseminate standards and certification mechanisms already available to Cambodian firms and to provide support for the garment industry to access European markets. Activities beyond the first year, to be included in AOPs, could include the following: review of the law on industrial standards and related implementing regulations to become WTO compliant; financial support for new exporters or SMEs to meet SPS and TBT requirements; support to establish the necessary regulations on food safety and secure necessary training; strengthen capacity for quality-related testing and metrology, support the implementation of fishery certification to access international markets; and training in Integrated Pest Management to strengthen RGC's capacity to undertake risk assessment.

Component 1b: Trade Facilitation

19. This second subcomponent will support activities to accelerate the implementation of the 12-point Action Plan on Trade Facilitation. This will lead to increased transparency in trade-related transactions and export competitiveness. An initial set of activities has been agreed and includes: (i) training on risk management and setting-up of Risk Management Unit in trade-related agencies (other than the Customs and Excise Department, which created such unit in 2007); (ii) private sector outreach on risk management (building on the computerization of customs through ASYCUDA, which is financed by an IDA grant); and (iii) technical assistance to design a WTO-compatible Flat Fee for Services. Activities beyond the first year, to be included in AOPs, could include the following: full automation of trade-related agencies and improving their readiness to communicate with ASYCUDA; assessment of process re-engineering efforts in trade-related agencies; implementation of a WTO-compatible Flat Fee for Services; further private sector outreach programs including on repercussions for the private sector of the implementation of reform in e.g. trade facilitation and SPS, and on good corporate governance.

Component 1c: Other Legal Reforms and RGC WTO Obligations

20. This third sub-component will support activities to accelerate the implementation of other Government's commitments to the WTO, in particular the legal reform agenda that resulted from WTO accession. The RGC has defined a WTO work-program at the time of WTO accession and

progress under this program has been updated over time. Activities to be included in AOPs could include the following: support to drafting and implementing specific laws in the legal reform agenda; development and implementation of intellectual property rights framework; and trade-related investment promotion.

Component 2: Performance Monitoring

21. This second component will support activities to develop a transparent, consistent, and sustainable performance monitoring system. As part of the 12-point action plan, the RGC agreed to establish a performance monitoring system to monitor progress accurately, engender trust of all stakeholders in the reform, and report progress to the public. The TDSP will complement World Bank's work on improving the investment climate assessment, time release studies, assistance in implementing/improving internal time tracking systems in various trade-related agencies. This system will report the time and cost of importing and exporting products, track changes in barriers to export diversification, and include monitors from the private sector. Priorities in this component will be driven by the design of the Trade SWAp's results framework.

Component 3: Institutional and Human Capacity

22. This third component will support the development of strengthened institutional and human capacity. The proposed TDSP will build institutional and human capacity in Cambodia through equipping RGC staff with appropriate skills and experience to implement RGC trade policies. This component will include individual (e.g. training) and institutional (e.g. organizational reviews) capacity-building efforts, as well as salary supplements in the form of the Merit-Based Performance Incentive (MBPI). The initial set of activities agreed will focus: (i) preparation of capacity needs assessment and support to training on basic functions (management, human resources, budgeting, etc) in trade-related agencies; (ii) preparation of Public Finance Management Action Plan for MoC; (iii) support to the ongoing Trade SWAp programming (including preparation and implementation of communication / awareness strategy); and (iv) design of the MBPI. Activities beyond the first year, to be included in AOPs, could include the following: implementation of MBPI; demand-driven training and capacity building efforts; strengthening of human resource and public financial management functions in trade-related agencies. A cap of US\$500,000 has been agreed for annual resources to be potentially allocated to the MBPI.

Component 4: Implementation Support to the TDSP

23. Finally, a component will support the development of the Ministry of Commerce's (and its Department for International Cooperation, D/ICO) implementation capacity to act as a Secretariat for the Trade SWAp and program manager for the TDSP. This will include support to assist it in meeting its fiduciary responsibilities. This will also support other departments' and agencies' capacity in implementing the TDSP.

D. Lessons learned and reflected in the project design

24. **Analytical work and feedback from the private sector has highlighted priorities in the trade sector.** Two Investment Climate Surveys in 2003 and 2007 have measured key constraints to the business environment, stressing a number of trade-related issues (such as standards, trade costs, and behind-the-border issues) as a constraint to export growth and

diversification; the 2007 DTIS has analyzed key challenges for trade development; and regular meetings of the Government Private Sector Forum flag issues and ensure accountability to address them. These mechanisms form the basis for the design of the Trade SWAp and the proposed TDSP that would contribute significantly to its implementation. They have highlighted issues of governance and coordination among agencies as critical impediments to the environment for trade. The TDSP will, among its activities, support further development of analytical and feedback mechanisms.

25. **Experience in this sector and other sectors in Cambodia underscores the need for an integrated approach.** A package of technical assistance, policy dialog, and analytical work is necessary to prioritize the agenda, address capacity bottlenecks, and ensure enabling policies are adopted. The complementarity between the existing IDA TFCP, the series of PRGO, and investment climate assessments has demonstrated these synergies. In addition, an integrated approach is necessary to overcome the prevailing severe fragmentation of aid. The TDSP will be fully integrated with other activities of the proposed MDTF (Annex 6) and with ongoing Bank and other DP activities (Annex 2).

26. **The nature of trade and comparative advantage, as well as the serious capacity and governance constraints, points to the need for a learning-by-doing approach.** A blueprint approach to trade reform would most likely be ineffective, missing opportunities for trade and reform. Instead, building on the framework set by the 2007 DTIS, the Trade SWAp and the proposed TDSP will focus on AOPs in the context of a three-year rolling plan. Each successive AOP will be informed by strengthened feedback mechanisms from the private sector, a sound results monitoring and evaluation system, and a solid appraisal process for activities entering the AOPs.

27. **Finally, sustainable progress in RGC's capacity to steer its trade agenda requires institutional reform.** Experience in other sectors, including in Public Finance Management, suggests the critical role of the MBPI, a performance-based scheme to harmonize salary supplements in a fiscally sustainable way. The TDSP will support the implementation of this scheme in the Ministry of Commerce (MoC) and possibly other trade-related agencies. The TDSP will also support measures to strengthen the institutional capacity to manage the Trade SWAp (coordination, M&E, etc.) and will support the institutional strengthening of the MoC.

E. Alternatives considered and reasons for rejection

28. **The main alternative considered consisted in a "blueprint-style" trade development project, fully designed upfront.** This design could have been based on fully specified results, with the project supporting a package of activities sufficient to meet these results. Such design could also have added further fiduciary safeguards. However, this would first have required delaying the start of this project until the Trade SWAp is fully in place. It would also have meant missing the opportunity to support the process of designing and implementing a Trade SWAp as an ongoing process. Finally, it would have assumed that a blueprint approach to trade reform is feasible, contrary to what experience has shown when promoting institutional development and behavior change.

29. **Another alternative would have been to provide budget support to the RGC for the sector.** Cambodia currently receives budget support from IDA and other DPs through the PRGO. However, while such instrument represents an ideal for providing sector-wide support, it requires a number of preconditions that are not in place yet: (i) fully designed sector-wide program; (ii) established governmental financial management capacity (from planning to accounting); and (iii) effective coordination across trade-related agencies. As a step toward such SWAp, therefore, the TDSP has adopted a quasi-programmatic approach in which specific activities in a coherent program are implemented as elements of specific investment.

III. IMPLEMENTATION

A. Partnership arrangements

30. **Given the existing fragmentation of aid arrangements, Cambodia has embarked on significant harmonization and alignment efforts.** External assistance in the trade sector – and more generally private sector development – is particularly fragmented. Cambodia is a signatory to the Paris Declaration. In line with the intention of the Paris Declaration and the RGC–DP joint declaration (October 2006) on improving aid effectiveness, the RGC coordinates efforts in the trade sector through a Sub-Steering Committee on Trade Development and Trade-Related Investment. In addition, the RGC is developing a Trade SWAp – which the TDSP will support. The 2007 DTIS was a coordinated effort, led by the MoC and UNDP. The Trade SWAp will consist in coordination mechanisms (including an Annual Performance Review) and a rolling-three year program. DPs in the sector have also established a coordination mechanism, including regular meetings of field-based staff. The RGC and DP have agreed to Partnership Principles in the sector.

31. **The Department of International Cooperation (D/ICO), recently established in the MoC, has been tasked with the coordination of the overall Trade SWAp and the management of the specific TDSP.** It is expected that its role will be one of facilitation, coordination, and improving transparency by putting information relevant to the Trade SWAp on a dedicated website. D/ICO is expected to serve as a “one-stop shop” where interested parties can obtain information relating to all the support being provided to the trade sector as a means of strengthening accountability and transparency.

B. Institutional and implementation arrangements for the TDSP

32. **The TDSP will support Annual Operation Plans (AOP) that are embedded in overall Trade SWAp Annual Plans.** The TDSP Steering Committee, which will meet as a sub-group of the Sub-Steering Committee on Trade Development and Trade-Related Investment, will approve strategic directions of the TDSP, based on past year’s performance and overall Trade SWAp programs. D/ICO will then coordinate the preparation of an AOP, based on submissions from all agencies participating to the TDSP. The submission will be expected to be drawn from the proposals approved by the Sub-Steering Committee for the Trade SWAp. The AOP will be endorsed by the TDSP Steering Committee. The process of AOP preparation will be synchronized and coordinated with the RGC’s annual budget process to ensure maximum use of government systems for implementation.

33. **The D/ICO will ensure daily supervision of AOP implementation.** In addition, quarterly meetings of an Implementation Committee, acting, in effect, as a secretariat to the TDSP Steering Committee and chaired by the Secretary of State in charge of D/ICO, will review progress reports and implementation issues to ensure adequate oversight and coordination.

34. **In an initial phase, implementation arrangements will be centralized at D/ICO, with the aim of gradually moving toward country systems.** Given the initial capacity in trade-related agencies, D/ICO will be tasked to undertake procurement and financial management of the TDSP, on behalf of the RGC (see below on procurement and financial management). D/ICO, a newly established department, will need quick capacity injection to perform these functions. In parallel, the TDSP will finance activities to develop capacity – in particular in MoC – for public finance management, in line with the Government-wide Public Financial Management Reform Program. If and when possible, after capacity has been demonstrated, some responsibilities could then be moved from D/ICO to the relevant line departments. Provisions to strengthen these arrangements have been agreed as part of a Good Governance Framework signed by RGC representatives.

35. **Implementation is designed to ensure participation and coordination from various trade-related agencies, and “learning-by-doing”.** A TDSP launch workshop will set the stage for a clear understanding of various arrangements, including fiduciary aspects. Annual Performance Reviews (APR) for the TDSP will be organized by the D/ICO to review past performance and identify strategic and implementation issues. These APRs will be informed by regular reporting from D/ICO, user feedback data financed by the TDSP, and an annual external review commissioned by the MDTF. These APRs will also be extended to a broader annual review of the Trade SWAp.

36. **A financial management assessment reveals the weak capacity and weak internal controls in the trade sector, and in D/ICO (Annex 8).** Hence, it is not currently possible to rely on Government financial management systems. In the short- to medium-term, it is proposed that D/ICO’s capacity be strengthened to handle all financial management for the TDSP. The RGC sanctioned Financial Management Manual (FMM) for aid projects will be used and supplemented by a TDSP-specific manual to be finalized within one month of effectiveness. This will detail budgeting, accounting, internal control, funds flow, financial reporting, and auditing arrangements for TDSP operations. A number of additional measures have been agreed as part of a Good Governance Framework (Annex 13). In parallel, Component 3 of the TDSP will support the preparation and gradual implementation of a PFM Action Plan, to gradually build the sector’s capacity to manage funds – with a view to gradually transfer responsibilities from D/ICO to the relevant line departments.

37. **Procurement financed in whole or in part by the TDSP would be carried out in accordance with the World Bank’s Procurement and Consultant Guidelines (dated May 2004, revised October 2006), and the provisions stipulated in the Grant Agreement, and the agreed Procurement Plans.** Unless otherwise mutually agreed by IDA and Government, all contracts for goods, works and consultant services financed under the TDSP will be procured through an International Procurement Agent (IPA) with the exception of contracts to be procured under direct contracting, single source selection of firms, selection of individual consultants (regardless of value), hiring of NGOs, procurement of goods estimated to cost less than \$50,000

per contract, and procurement of works less than \$100,000 per contract, procurement from UN agencies, and procurement financed by sources other than TDSP, including by RGC, will not be undertaken through the IPA but by the Implementing Agency (IA) itself. The contracts to be procured by the IA are either of small value or non-competitive in nature; thus infeasible to be procured by the IPA. The IA's capacity to procure these contracts will be strengthened through the engagement of a Procurement Coordinator (national procurement consultant unless a qualified government staff is available) and also an international procurement consultant for procurement systems improvement and capacity building of staff. In addition to requiring use of the IPA, extensive measures for promoting transparency and accountability in the procurement processes have been incorporated in the project's design in order to mitigate the procurement risks. This includes rationalized thresholds for encouraging use of the more competitive methods, application for NCB and Shopping of RGC's standard Procurement Manual for Externally financed Projects which has been agreed by IDA. This manual includes numerous measures for strengthening the procurement process, and the implementation of a Good Governance Framework. Details are provided in Annex 9 and Annex 13.

C. Monitoring and evaluation of outcomes/results

38. **Key indicators for monitoring the results of the TDSP have been prepared** (Annex 3). Given the nature of the TDSP – its support to a sound sector-wide process and good coordination –, a number of indicators relate to the quality of the process and the RGC's capacity to manage it effectively. Hence the TDSP impact will be evaluated through a mix of indicators aimed at (i) specific results in the implementation of the trade strategy; and (ii) a better capacity for RGC to manage the Trade SWAp. The results framework will be reviewed during implementation to factor in progress in defining the overall Trade SWAp monitoring and evaluation framework (the development of which is supported by the EC).

39. **The indicators have been selected on the basis that they could be monitored regularly.** Regular reporting from D/ICO on TDSP and Trade SWAp will be a critical source of information. Other existing data sources include the customs computerized system and the investment climate surveys carried out by the World Bank every three or four years. The TDSP will provide support for the development of user feedback mechanisms (e.g. client satisfaction surveys). This information might also be supplemented by other analytical work financed by the MDTF, including the financing of annual external reviews of the TDSP.

D. Sustainability

40. **The main sustainability issue relates to the RGC's capacity to carry on Trade SWAp activities beyond the TDSP financing.** This risk is recognized, and the TDSP will actively seek to support the RGC in strengthening the capacity where needed.

41. **Financial sustainability issues are limited to (i) operating and maintaining new systems and (ii) sustaining salary supplements in the form of the MBPI.** The sustainability of new systems (such as TIG or ASYCUDA) will be maximized through support to: (i) building IT and technical capacity for maintenance and (ii) linking fee reform to costs of operation and maintenance of these systems. The sustainability of supporting the MBPI is based on Sub-Decree

29, which provides for the RGC to finance an increasing share of the MBPI. It will also be supported by a cap imposed to the size of the TDSP's contribution to the MBPI (para. 22).

E. Critical risks and possible controversial aspects

42. Risks to the implementation of a Trade SWAp and the TDSP which supports it share common features, as outlined in the following table.

Risk	Rating	Mitigation Measure	Residual Risk Rating
A. Related to the Trade SWAP			
Policy uncertainties and reduced ownership stemming from lack of coordination across agencies and donors	S	The proposed TDSP supports the Trade SWAp and mechanisms to enable stronger coordination across trade-related agencies. The Sub-Steering Committee is already in place and has been empowered with decision-making on trade-related policies.	M
Perception that the Trade SWAp is an MoC program, as opposed to a genuine sector-wide approach, undermining effective implementation of trade policy	S	A number of mechanisms have been put in place to enable participation of a large number of agencies in the TDSP. An initial launch workshop and annual retreats will create opportunities to raise awareness about the TDSP and make it inclusive. The TDSP Steering Committee will based its work on the recommendations of the RGC's Sub-Steering Committee on Trade Development and Trade-Related Investment, which has been empowered through a sub-decree with coordinating the sector.	M
Lack of adjustment in priorities of activities in Annual Operational Plans	S	The TDSP will support a sound M&E system of all of the activities in the Trade SWAp. Annual performance reviews will offer the opportunity to review past overall performance and adjust plans based on this review and on emerging opportunities for trade and trade reform.	M
Weak governance systems at the country and sector-level may undermine Trade SWAp objectives	H	The TDSP will seek to implement the governance measures detailed in the Government's strategy including initiatives to strengthen public financial management and private sector development. In addition, the TDSP supports efforts toward transparency and user feedback mechanisms.	H
Systemic corruption	H	The Government is well aware of the World Bank's emphasis on good governance and has acknowledged the need to strengthen and improve control systems. The systemic nature of these problems run deep and may take years to resolve. The World Bank is committed to be a vigilant partner to the Government of Cambodia, working closely with other DPs to support the Government through this difficult transition.	S

Risk	Rating	Mitigation Measure	Residual Risk Rating
B. Specific Risks to the Trade Development Support Program			
Need to address human resource constraints, particularly in D/ICO	H	The TDSP will finance investments in capacity-building (including the HR function) aided by the MBPI scheme to provide incentives to key civil servants. The development of D/ICO will also be a priority for the TDSP.	M
High country procurement risk	H	Procurement risks will be mitigated through the use of an IPA and appropriately designed procurement arrangements by minimizing the use of lesser competitive methods of procurement, as well as through the adoption of the Government's Standard Operating Procedures and a Procurement Manual for Externally Financed Projects that are acceptable to the World Bank and include numerous provisions for further increasing competitiveness, transparency and accountability in the procurement process. Measures for strengthening procurement capacity of the Government staff have also been built into the TDSP.	S
High corruption risks associated with procurement and weak institutional systems	H	The TDSP includes specific measures for reducing the risks, particularly the strengthened FM and procurement arrangements, including use of the IPA, and the required implementation and monitoring of a Good Governance Framework (GGF) which will apply to all activities financed wholly or partially by the TDSP. Implementation of the Public Financial Management Program is also expected to reduce ongoing financial management weaknesses.	S
Fiscal and political sustainability of the MBPI	H	The MBPI will be designed to increase RGC financial responsibility in its budget. The human resource management function will also be strengthened to correctly communicate MBPI provisions and intent, and administer the MBPI objectively	S
Weak financial management and controls environment	H	The TDSP will establish its own mechanisms of planning, budgeting, and reporting to monitor training, workshops and related funding. Greater internal audit coverage of known problem areas will help mitigate the risk of misuse of funds. The TDSP also proposes to establish preventive controls within the operation, and to undertake systemic reviews.	S
Overall Risk Rating:			S

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N (Negligible or Low Risk)

F. Grant conditions and covenants

43. The following is a list of conditions and covenants which are expected for the Project:

By Grant Signing

- Finalize and send TORs of procurement advisor and implementation advisor to IPA
- D/ICO to send to Bank TORs of key assignments in D/ICO
- Secure the no objection from the WB for the first 18 months' procurement plan
- Send letter to Bank with (i) approach for MBPI (proposed coverage and objectives; structure and name of chairman for MBPI working group) and (ii) composition and terms of reference of the Implementation Committee.

Effectiveness

- Financial Advisor recruited

Dated Covenant

- TDSP Operational Manual acceptable to IDA adopted by February 15, 2009

Disbursement for support of the MBPI

- MBPI Manual acceptable to IDA adopted

Other Standard Covenants

- Submit quarterly IFRs forty five days after every quarter.
- Submit annual project audits six months after fiscal year end.
- Submit Progress Reports biannually, aligned with standard Government reporting procedures, and no later than six months after each calendar semester.
- Submit a Grant Completion Report at the end of the implementation period, and no later than six months after the Grant closing date.
- Appoint the internal audit advisor at the latest six months after effectiveness.

IV. APPRAISAL SUMMARY

A. Economic and Financial Analyses

44. **The benefits of the TDSP would be enjoyed by a diverse population of beneficiaries associated with trade** (traders, export manufacturers, agricultural exporters, importers, RGC's treasury). Benefits to individuals would progressively accumulate, to achieve an overall improvement in the level of investment and activity of trade, leading to transparency, competition, compliance with world market standards supporting private-led growth in Cambodia. This will eventually make a positive contribution to export diversification, employment, and poverty reduction.

45. **The full program of activities to be supported by the TDSP has not been determined ex ante, and it is difficult to establish the economic and financial returns to each of them.** The TDSP has been designed as a framework project, not a "blueprint project". The process for selecting these activities will be made following specific activity appraisals (specified as part of the TDSP Implementation Procedures). It is expected that the TDSP would have a macro economic and financial impact, similar to the impact of the ongoing TFCP, which has similar strategic objectives. Under the assumption that TFCP activities could reduce time delays in clearing exports by about 50 percent over 3-4 years, and accounting for private investment costs, user fees, import volume and gradual introduction of time savings, an economic rate of return in excess of 200 percent was projected for a project cost of US\$10.0 million. Similarly, assuming a positive impact on official revenues through a change in the incentives facing traders and public officials in favor of compliance with agreed tariff schedules, and attributing only 25 percent of benefits to the activities of the TFCP, the financial rate of return was estimated to be about 144 percent for a project cost of US\$10.0 million. It is likely that the aggregated impact of the TDSP would be of the same order of magnitude.

B. Technical

46. **The activities to be supported through the TDSP would all follow proven technologies, in their respective fields** (for example, animal health, packaging, handling etc). Appraisal of the proposals to be financed would consider technologic feasibility as one of the key elements before approval. This would minimize the risk of financing inappropriate technologies. In appraising proposals, particular attention will be given to the existing capacity constraints and the need for adopting technically sustainable solutions.

C. Fiduciary

47. While initially the capacity of D/ICO to manage the financial management and procurement associated with the TDSP is limited, provisions have been made to (i) reduce the short-term fiduciary risks through providing contracted assistance (a contracted Financial Advisor and the use of an IPA); and (ii) train relevant staff in D/ICO to assume these responsibilities. With these provisions, the fiduciary responsibilities of the GOC in implementing the TDSP are considered covered.

D. Social

48. The program will benefit to economic development and poverty reduction through trade development and promotion efforts. There is no negative social implication foreseen from the operation.

E. Environment

49. While the contribution of TDSP to economic development in Cambodia can be linked to environmental or natural resource implications positively or negatively depending upon the nature of the trade bilateral agreement and policy, this program will not finance any activities which may cause unfavorable environmental or natural resource impacts, but rather capture long-term environment-friendly development perspective.

F. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources (OP/BP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (OP/BP 7.60)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

G. Policy Exceptions and Readiness

50. No policy exceptions are being sought. The project meets the Regional criteria for readiness for implementation, regarding financial management, procurement, staffing, tender documents for first year's procurement, disclosure requirements and monitoring and evaluation mechanisms. The project is financing minor renovations works for existing office building, there is no scope for any kind of land acquisition, taking of assets, or restrictions on use of natural resources.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Annex 1: Country and Sector or Program Background

CAMBODIA: Trade Development Support Program

Country Context

1. **Cambodia is emerging from three decades of instability.** After the Lon Nol's coup in 1970, the Khmer Rouge regime (1975-1979) essentially destroyed the social, human, institutional, and physical infrastructure of the country. After the fall of the Khmer Rouge, the country followed a path of communist policies in the 1980s before undertaking a gradual transition to an open market economy during the 1990s. Throughout most of the period, and despite the formal establishment of a truce in 1991 through the Paris Peace Accords, politico-military violence continued. Only since 1998, stability has by and large been achieved.

2. **Cambodia has established a remarkable track record of economic growth over the last ten years** (9.7 percent per annum since 1998, Table 1). In 2007, real GDP grew by 10.2 percent the fourth consecutive year of double digit growth. This performance relies on four sources of growth: rapid garment exports, strong tourism receipts, continuing construction boom, and robust crop growth in agriculture. Growth is underpinned by an open trade regime (exports have increased by 23 percent per annum since 1998) and a favorable investment regime for Foreign Direct Investment (FDI, above 6 percent of GDP in recent years).

Table 1: Key Economic Indicators

	1998-2003	2004	2005	2006	2007	2008	2009	2010
GDP growth (%) - Constant 2000 Prices	8.1	10.0	13.5	10.8	10.2	7.2	6.8	7.0
GDP per capita (US\$) - Constant 2000 Prices	293	356	388	419	452	475	497	521
GDP at Current Prices (million US\$)	3,860	5,295	6,286	7,264	8,749	10,242	11,485	12,903
CPI inflation (%) - End of Period - Old methodo.	3.8	5.6	6.7	2.8	10.8	n/a	n/a	n/a
CPI inflation (%) - End of Period - New methodo.	n/a	n/a	9.7	5.1	16.3	18.0	9.0	5.0
Private sector credit (growth, %)	13.4	35.9	31.8	51.6	76.0	70.0	45.0	30.0
Exchange rate (riels per dollar, av.)	3,872	4,019	4,097	4,107	4,073	4,000	4,000	4,000
Domestic investment (% GDP)	17.5	17.7	20.1	22.5	20.6	21.0	22.0	23.0
of which private investment	7.2	10.4	10.6	11.0	11.3	11.4	11.6	11.8
Foreign direct investment (% GDP)	3.5	4.3	6.0	6.5	6.7	6.5	6.5	6.5
Revenues (% GDP)	9.9	10.3	10.3	11.5	12.1	12.1	12.2	12.4
of which tax	6.9	7.7	7.6	7.9	10.2	9.9	10.0	10.1
Expenditures (% GDP)	15.2	14.9	13.0	14.3	13.5	14.2	14.7	14.9
of which current expenditures	9.0	8.9	8.1	8.5	9.0	9.3	9.5	9.7
Overall budget balance (% GDP)	-5.3	-4.6	-2.7	-2.8	-1.4	-2.1	-2.5	-2.5
Overall budget balance (% GDP, including grants)	-2.6	-2.9	-0.5	-0.2	0.8	-0.5	-1.1	-1.3
Foreign financing, net (% GDP)	5.3	4.7	4.9	4.5	1.4	1.7	1.5	1.4
Domestic financing (% GDP)	0.1	-0.2	-2.2	-1.7	-2.2	-1.2	-0.4	-0.1
Public external debt (% GDP)	64	39	34	31	28	28	28	28
Exports of Goods (% GDP)	37.0	48.9	46.6	50.3	49.1	47.6	46.1	46.5
Imports of Goods (% GDP)	50.1	61.8	62.9	64.7	64.9	66.9	65.3	65.9
Current account (US\$ million) - excl. official transfer	-403	-436	-591	-525	-627	-900	-1000	-900
Current account (% GDP) - excl. official transfer	-10.6	-8.2	-9.4	-7.2	-7.2	-8.8	-8.7	-7.0
Current account (US\$ million) - incl. official transfer	-93.5	-116	-266	-146	-211	-500	-600	-500
Growth official reserves (US\$ million)	541	809	915	1,097	1,612	1,850	2,200	2,400
in months of imports	3.0	2.1	2.0	2.0	2.3	2.4	2.4	2.4

Sources: NIS, MEF, IMF, Staff.

3. **Macroeconomic management has become much more challenging.** It had been largely conducive to sustained rapid growth and low inflation during 1998-2007. However, inflation has picked up since the last months of 2007 and into 2008, driven both by external (global oil and food prices as well as inflation imported from Thailand) and internal factors (supply constraints in some sectors, like construction, and rapid growth of credit to the private sector). At more than

20 percent during most of 2008, it has become a more significant concern. The authorities have taken a number of fiscal and monetary measures, slightly curbing inflation. More recently, the impact of the global financial turmoil has started to impact Cambodia. Although the limited development of its financial sector largely shields the economy from the direct impact of the crisis, Cambodia is vulnerable through (i) its openness to trade (goods and services, through tourism) and (ii) the very rapid development of its financial sector over 2005-08 and the related risks this generated.

4. **External developments were positive in 2007, but somewhat deteriorating in 2008.** Despite pressure from high world oil prices, the current account deficit (excluding transfers), while still large (US\$587 million), has declined to 6.8 percent in 2007 (from 7.2 percent in 2006). It is financed by large official transfers as well as, increasingly, private capital inflows. Gross international reserves expanded to US\$1.6 billion (2.7 months of import). However in 2008, continued high price of commodities and slowing down of garment exports are leading to an increasing trade deficit. Large inflows of private investment, remittances, and foreign assistance have so far enabled the authorities to maintain increasing international reserves. In recent years, the riel has been stable vis-à-vis the dollar in nominal terms, leading to some depreciation vis-à-vis other currencies. Fluctuations of the riel in real terms have a diffused impact given the de facto dollarization of the economy.

5. **Strong macroeconomic performance has overall been buttressed by prudent fiscal and monetary policies.** Bank and Fund staffs have concluded that Cambodia's macroeconomic policy framework is appropriate and sustainable, although recent price developments deserve close monitoring. In the Country Policy and Institutional Assessment (CPIA), Cambodia has earned consistently high macroeconomic management ratings (4.0 from 2005-06). The 2007 Article IV strongly supports the RGC's macroeconomic and structural reform agenda. Although a proposed Poverty Reduction and Growth Facility (PRGF) was postponed due to a lack of resolution of the US and Russian debt negotiations, the RGC and the Fund have agreed to a monitoring framework similar to that which would be used for monitoring PRGF quantitative and structural conditionality. As noted above, the significant challenges raised by inflationary pressures point toward some laxity in monetary policy, leading to excessively rapid growth in credit (above 100 percent year-on-year around mid-2008). Recent policy decisions, such as the increase in reserve requirements, are beginning to address this issue. Continued monitoring of the financial sector risks will be critical in 2009.

6. **Despite strong prospects for growth, challenges remain many.** First, agriculture, still the dominant part of the economy, has been growing at only 4 percent per annum in recent years and growth has been very volatile. Second, exports of goods and services are narrowly based on garments (which are mainly exported to the United States and which now face stiffer competition from Vietnam since its accession to the World Trade Organization – WTO –, and possibly soon from China) and tourism (mostly in Angkor): export diversification is one of RGC's policy priorities. Third, rapid growth of construction and rapid development of credit to the private sector are both exposed to a potential overheating or bubble in the real estate sector. Fourth, the rapid growth of the financial sector, together with its exposure to large borrowers and to real estate, raises a number of concerns for the sustainability of the sector. Renewed efforts for bank

supervision, gradual deepening of the NBC's monitoring tool (such as indicators of liquidity, wages, asset prices), and prudent monetary policy are necessary to proactively manage the sector's rapid growth. Fifth, recent inflation developments require monitoring and an adequate policy response. Finally, the discovery of significant amounts of offshore oil (and possibly other mineral resources) could be a major opportunity as well as a major challenge.

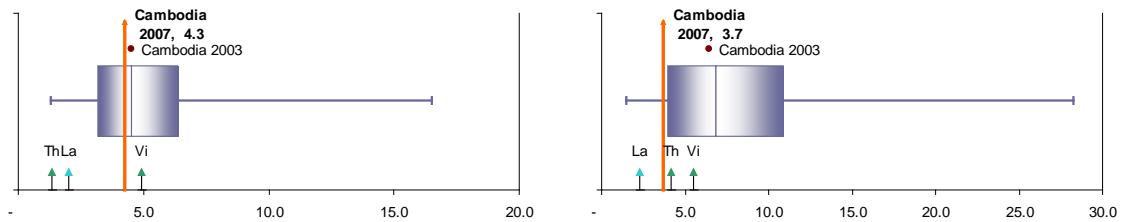
Sector Background

7. **Cambodia's exports have been growing very rapidly, driving growth over the last decade.** Starting from 16 percent of GDP in 1993, exports of goods and services accounted for 65 percent of GDP in 2007 (47 percent for merchandises and 18 percent for tourism). This rapid growth has been one of the main drivers of Cambodia's strong economic performance. In parallel, imports of goods and services have increased from 32 percent to 73 percent. This has been made possible through a combination of horizontal policies – such as the lowering of tariff and the accession to the WTO in 2004 – and targeted policies (tax incentives, increased quotas for the garment sectors). The general macroeconomic and security environment described above also played a key role.

8. **Nevertheless, trade faces a number of challenges, as evidenced by the erosion of growth in garment exports and the persistent lack of diversification.** First, garments and tourism account for most of the exports. There has been very little diversification towards new goods and services. Even within garments, there has been little diversification beyond low-end garments and the US market (which, for a historical reason related to increased access to quotas under the Multi-Fiber Agreement, is the main export market). Second, although tourism exports remain strong and growing (the number of tourists reached the 2 million bar in 2007), the growth of garment exports has been slowing down during 2007 and into 2008.

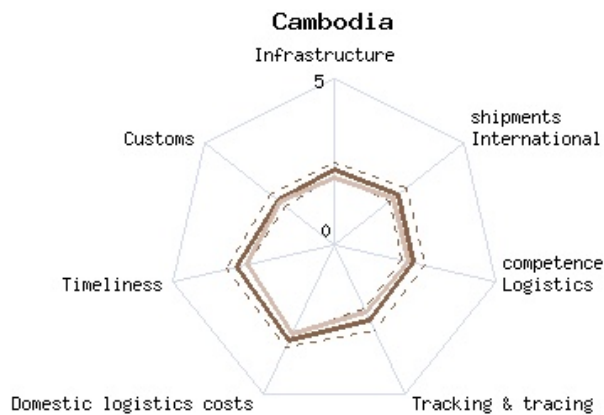
9. **Progress and challenges are also evident from a number of indicators.** Investment climate surveys showed that the average time to clear exports went down from 4.5 days in 2003 to 4.3 in 2007 and for imports in the manufacturing sector from 6.5 to 3.7 days (with stronger improvements for the garment sector). The 2007 Logistics Performance Index ranks Cambodia 81st among 150 countries, i.e. 10th among low income countries. The Doing Business indicators on trade, despite improvements in recent years, rank Cambodia at the 139th position (among 181 countries). Feedback from the private sector points to the need to further facilitate trade, simplify processes, and make them transparent. The issue of informal fees remains salient as well. Issues of non-tariff barriers to trade are also emerging, including Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS) measures.

Figure 1: Customs Clearance Time
a/ exports b/ imports (manufacturing sector)



Note: the box represents the 25th and 75th percentile of the distribution and the middle line the median. The extreme of the bar represents the min and max of the distribution. Cambodia’s performance in 2003 and 2007, as well as Lao, Thailand, and Vietnam are also displayed. Source: Cambodia investment climate surveys, and www.enterprisesurvey.org.

Figure 2: Logistics Performance Index



The dashed line is showing the confidence interval.

Source: World Bank, <http://go.worldbank.org/88X6PU5GV0>.

10. **The first challenge to reach that objective is to continue to make progress on the regulatory and institutional front.** The accession to the World Trade Organization (WTO) in 2004 energized the legal reform agenda. The Customs Law was enacted in 2007 and a first batch of supporting regulations has since been adopted. The ASEAN Harmonized Trade Tariffs were introduced in July 2007, further reducing tariffs. Further progress is required to implement the Customs Law and complete the legal agenda that Cambodia committed to as part of the WTO accession (Table A1.1). On the institutional front, the Ministry of Commerce (MoC) has been restructured in 2007, paving the way for the design and implementation of a Merit-Based Performance Incentive (MBPI, Annex 4). Capacity – individual and institutional – needs further development, not only in the MoC but also in other relevant institutions. A major institutional challenge is to further improve inter-agency coordination (see below).

Table A1.1: Update on WTO Accession Legal Agenda

Reform agenda	Achievements to date (September 2008)
Laws on Commercial Arbitration	Promulgated in May 2006, sub-decree under preparation
Law on Commercial Enterprises	Promulgated in June 2005
Customs Law	Promulgated in July 2007; most decrees approved
Law on concessions	Promulgated in October 2007; decree to be prepared
Law on commercial court	Draft under preparation, submission expected late 2008

Law on commercial contracts; law on commercial agency	Draft under preparation
Law on competition	Draft under preparation
Law on trade remedies	Draft to be revised
Law on special economic zones	Sub-decree adopted in December 2005. Law under preparation
Law on insolvency	Promulgated in December 2007; decrees to be prepared
Law on commercial contracts	Draft under preparation
Law on e-commerce	Draft under preparation
Law on secured transactions	Adopted in May 2007. Requires implementing regulations. Law on negotiable instruments and payment transactions adopted in September 2005; sub-decree to be drafted. Law on financial leasing considered.
Law on government securities and non-governmental securities	Law promulgated in Jan 2007. Decrees to be prepared
Law on Standards	Promulgated in June 2007. Sub-decree on marks adopted in July 2007
Law on Patents	Two Prakas established in June 2006.
Law on judicial organization, civil code, civil procedural code, criminal code, and criminal procedural code	Civil and Criminal procedural codes promulgated in July 2006 and 2007. Others under preparation.
Law on labor	Amendment under preparation

Source: RGC, staff.

11. **Second, business and trade must be facilitated through simplifying documentary requirements and making them more transparent.** First, in January 2008, a Single Administrative Document (SAD) was implemented in its manual version. Its electronic version is now implemented with ASYCUDA at the Port of Sihanoukville since May 1st 2008 (see below). The SAD simplifies and standardizes the documentary requirements for customs declaration on import and export. Second, the MoC has significantly enhanced the volume of information available to businesses and traders. A number of regulations and processes were documented and posted on the MoC website. An export booklet was prepared and disseminated by the RGC and the private sector. The MoC is also starting to design a Trade Information Website (TIW) to enable the publication of trade-related information on individual ministry and agency websites and the establishment of a virtual link of this content. Progress toward a Flat Fee for Services (part of Government's commitment) has been very limited however.

12. **Third, a well thought-through risk management strategy is expected to reduce the number of containers physically open, while improving control.** After the issuance of a Sub-Decree on risk management in March 2006, progress has been made in a number of areas. First, a Risk Management and Audit Office has been created and staffed in the Customs and Excise Department (CED). The next step is for other agencies to create their risk management office. Second, progress has been made to implement a risk-based approach at the border: (i) a list of prohibited and restricted goods has been agreed (and its length has been rationalized); (ii) service level agreements between the relevant agencies (CED, MoC / Camcontrol, MAFF, MIME, and MoH) are expected to be signed soon; (iii) standard operating procedures have been agreed; and (iv) a Traders' Credibility Management System has been established to profile traders through risk indicators and selectivity criteria and the system has been linked to ASYCUDA. The impact on the proportion of containers physically opened remains to be seen.

13. **Fourth, building on the SAD and better risk management, the RGC is computerizing its customs system.** Although there was delay in project implementation, an

important milestone was met in May 2008 with the launch of the ASYCUDA (Automated System for Customs Data) system in the Port of Sihanoukville. The computerized system is expected to facilitate business for traders, improve security through better screening and risk management, and enhance revenue collection. The RGC plans to roll the system to other CED offices. ASYCUDA, together with the planned automation of the trade processes at the MoC (with its linkage to ASYCUDA), will be key steps to prepare Cambodia to implement its ASYCUDA-based National Single Window (Cambodia is committed to implement it and link to the ASEAN Single Window by 2012).

14. **Fifth, some of these measures could be piloted in Special Economic Zones (SEZ).** The RGC has adopted over the last few years a policy to promote SEZ. A number of them are being set up, with only one fully operational. For each operational SEZ, the RGC creates a One-Stop Service (OSS) with the key public agencies co-located. Simplification and automation of processes, as well as better access to information could be piloted at that level.

15. **Sixth, TBT and SPS are increasingly important and challenging for Cambodian exporters.** The legal framework in this area remains insufficient – including the Law on Standards that has been approved but does not comply with the provisions of the WTO Agreement on TBT. There are only a few private Cambodia-based organizations that are internationally recognized and no Government accredited technical body for certification. Some promising alternatives have developed, including through the use of overseas organizations: those must be protected, while enabling the development of a better infrastructure for standards. In SPS areas, there are instances of duplications of functions. Hence a priority is to develop a roadmap for this area and build consensus around it.

16. **Seventh, a number of these issues are combined to constrain the growth of key exports.** The DTIS identifies 19 products with export potential: garments, tourism, footwear, rubber, cassava, fishery, rice, fruits and vegetables, wood products, light manufacturing, labor services, soybeans, silk, livestock, cashew nuts, corn, beer, web-based services, and transport services.¹ For each, a number of constraints relate to trade – including cost of customs, standards, logistics, etc. The RGC is committed to prioritize the removal of constraints based on the needs of these sectors, both through removing cross-cutting business environment constraints and addressing market failures for these specific products.

17. **Eighth, Government effectiveness in formulating and implementing its policies is weakened by lack of coordination.** Progress in implementing the risk management strategy or making a breakthrough in terms of agri-business standards has been hampered by lack of clarity about the mandate of a myriad of departments.

18. **Finally, regular feedback from the private sector is key to maintain the reform momentum.** The RGC has established a good track record of such dialog, through the Government – Private Sector Forum (G-PSF) which is facilitated by the IFC. The G-PSF has

¹ The assessment is based on a combination of 3 criteria: export potential; domestic capacity; and potential human development impact.

eight working groups (one of which on exports) and bi-annual high-level meetings chaired by the Prime Minister. A number of quantitative and qualitative surveys (including two investment climate surveys) have also been made. A time-to-release study (tracking with time stamps containers going through customs) was also conducted in 2005, although the measurement effort was not sustained. Further progress could be made by systematizing user feedback surveys to inform the reform process and ensure accountability.

Government Strategy and World Bank Support

19. **The RGC’s Rectangular Strategy and the National Strategic Development Plan (NSDP) place Private Sector Development (PSD) and trade at the center of the reform agenda.** While Cambodia has already put in place a number of measures to improve the business environment, maintaining competitiveness in existing industries and diversifying the export basket remain a critical challenge as outlined above.

20. **A number of detailed strategies and action plans have been agreed to implement this reform agenda.** In 2004, a work program resulting from WTO accession (Table A1.1), a 12-point action plan on trade facilitation, and a Blue Book on investment promotion and facilitation were adopted. Progress on the 12-point action plan has been overall slow and mixed (Table A1.2). Despite a few significant results – such as a lower of registration costs, initial computerization of customs, and introduction of risk management practices –, challenges remain many, including multiple and unpredictable fees, insufficient coordination across agencies, and weak monitoring systems. In 2007, the Diagnostic for Trade Integration Strategy (DTIS) consolidated and updated these action plans.

**Table A1.1: Update on
“12-Point Action Plan to Improve the Investment Climate and Trade Facilitation”**

Twelve Point Action Plan	Results to date
Establish a Cross-Agency Trade Facilitation / Investment Climate Reform Team	<i>Some progress.</i> A Cross-agency Trade Facilitation and Investment Climate Reform Team was created on August 19, 2004, by Prakas No. 2289/04 CDC. The duties of the reform team are to recommend the steering committee of Private Sector Development on policy design, institutional reforms to streamline trade facilitation. The team usually meets along with the sub-steering committee meetings of Trade Development and Trade Related Investment chaired by Senior Minister of Commerce. The quality of coordination is however uneven. In addition, an inter-agency coordination group on risk management has also met on a more regular basis (see below).
Establish a System of Transparent Performance Measurement including Private Sector Monitoring	<i>Temporary progress.</i> A “Performance Measurement System for Trade Facilitation” (PMS-TF) was designed by a private firm in 2005 and a baseline was published in August 2005. The report was widely disseminated, including at a G-PSF event. The PMS-TF combined a “Reform Score Card” survey approach, with questions modeled for comparison with ICA 2003 questions, and an adapted Time to Release methodology, using an “audit trail” of trade facilitation documentation and steps and electronic time-stamping embedded in the TF <i>process</i> . However the system has not been sustained.
The trade facilitation process, including all licenses, procedures and	<i>Some progress toward SAD.</i> A number of streamlining measures were taken, including moving to joint inspection (Customs / CamControl) and

<p>documents, will be reviewed to remove overlaps and unnecessary approvals. Following the reengineering, a Single Administrative Document will be implemented and other documents progressively eliminated.</p>	<p>issuing certificates of processing and of origin, and visa on commercial invoice and export license done based on this joint inspection (September 2004); joint Customs-CamControl focal point in large garment factories; fewer steps and faster turnaround for certificates of origin, and visa on commercial invoice and export license (May 2004). The Single Administrative Document was developed in 2006/7 and is implemented since 2008 (manually since January 1st and through ASYCUDA since May 1st).</p>
<p>Introduce an overall risk management strategy to consolidate and rationalize all examination requirements of the different control agencies.</p>	<p><i>Progress in CED mainly.</i> Sub-Decree 21 on risk management was signed in March 2006. CED created a Risk Management and Audit office in 2007 and staffed it. Other trade-related agencies have not created any similar unit yet. The consolidated list of prohibited and restricted goods was approved by the Prime Minister in December 2007, after considerable debates to trim it down (showing that the principles of selectivity and risk management are not owned by all relevant agencies). CED has developed risk indicators and selectivity criteria and a system to profile traders. These various lists and indicators have been uploaded to ASYCUDA. Service level agreements have been drafted but have not been signed yet. The proportion of containers that are physically open remains high (but not yet reported systematically, which requires ASYCUDA to be implemented), in part the logical initial results of the risk management approach (it will take time to calibrate the risk parameters to move toward a more optimal system).</p>
<p>A strategic review of the role of CamControl will be launched to more productively deploy the organization's unique knowledge of quality control processes and make optimized use of inputs and resources from other agencies, such as the CED.</p>	<p><i>No progress.</i> The strategic review was carried in 2005 and the RGC decided to strengthen CamControl. Progress has been limited: CamControl remains focused on border activities; it has not yet developed a risk management approach; and issues of coordination with CED remain.</p>
<p>A Single Window process to manage trade facilitation will be piloted in the Port of Sihanoukville by December 2005. The Trade Facilitation process, once streamlined, will be automated by December 2005.</p>	<p><i>Progress toward ASYCUDA.</i> The RGC decided in 2006 to move toward the ASEAN Single Window by 2012, based on the ASYCUDA platform. The ASYCUDA system has been launched in May 2008 at the Port of Sihanoukville and CED plans to roll it out to other CED offices in the coming 2 years. Automation at other trade related agencies has not moved – expect that the MoC is planning the introduction of a Trade Information Gateway that would automate MoC-related processes (in addition to providing a knowledge portal for all trade-related regulations and processes). Also, a One-Stop Service is being implemented with 5 agencies at each operational Special Economic Zone (only Bavet so far).</p>
<p>The Government will introduce a WTO compatible flat fee for service, and the service will be defined by a service-level agreement.</p>	<p><i>No progress.</i> No progress has been made in this area and high, multiple and unpredictable fees remain a concern for the private sector. CED is designing a processing fee for ASYCUDA, which could form the platform for a streamlined fee structure.</p>
<p>Streamline the process and reduce the cost of incorporating with the Commercial Register, which is maintained at the Office of the Clerk of the Commercial Court, and costs an average of \$630 and 30 days.</p>	<p><i>Good progress.</i> MoC lowered the cost of registration from \$615 and 30 days to \$177 and 10.5 days. The minimum capital requirement was also lowered from KHR20 million to KHR4 million (it is however noted that most countries, including civil law countries like France, have now abandoned paid-in minimum capital requirements). The registry is also getting computerized.</p>
<p>Streamline the process notification of the Ministry of Labor to start hiring employees, which costs \$250 and 30 days to complete</p>	<p><i>Limited progress.</i> The Ministry of Labor and Vocational Training reviewed the process and reduced the fee from \$250 and time of 30 days to US\$150 and 7 days in January 2005. The Labor Inspection Department is responsible for this reform and states that several training sessions were</p>

	conducted for stakeholders to disseminate the new measures. Through validation with the private sector, it was found that unofficial fees of about \$100 per application are still required in order to expedite the hiring process.
Harmonize registration for VAT, income tax, and company registration using the same form and resulting in the same number. This would enable a unique identifier and facilitation information sharing across agencies.	<i>Limited progress.</i> The VAT or Income Tax Identification Number (TIN), issued by the Tax Department for paying VAT, import duty & excise tax and income tax declaration. However, the registration number issued by the MoC is unrelated to the TIN.
Implement a national award to promote good governance citizenship and governance in the private sector.	<i>Temporary progress.</i> A Good Corporate Citizenship Award event was held in 2005, but this has never been repeated.
Monitoring and Reporting	<i>Limited progress.</i> The Government Private Sector Forum continues to operate, including its working groups on investment climate and export. Also, Investment Climate Surveys have been conducted by the World Bank in 2003 and 2007.

Source: RGC, staff.

21. **The World Bank’s Country Assistance Strategy aligns with the RGC’s strategy to support PSD as one of its pillars.** The support has included a mix of analytical products (including investment climate assessments), policy-based lending (a series of Poverty Reduction and Growth Operations, PRGOs), and investment lending (cf. Annex 2).

Harmonization and Alignment

22. **A very large number of Development Partners (DPs) are active in the trade and PSD areas** (see also Annex 2). Recent reviews have in particular singled out a very large number of value-chain analysis and interventions that appear largely uncoordinated, with instances of duplications of efforts and gaps. This fragmentation is a tax on the government’s limited capacity and it distorts accountability mechanisms in favor of uncoordinated project implementation.

23. **The fragmentation among DPs is paralleled by fragmentation on the RGC side.** Both add up as a tax on capacity and effectiveness. The fragmentation is evident in the number of public agencies involved, as well as in the many coordinating structures. For instance, the PSD coordination structure – through a PSD Steering Committee – is split in three Sub-Steering Committees, on (i) investment climate and private participation in infrastructure; (ii) trade and trade-related investments; and (iii) small and medium enterprises. The committees appear to have some overlapping functions.

24. **The RGC and the DPs have recognized these issues and are moving toward a “Trade Sector Wide Approach” (SWAp).** These challenges have been apparent for some time. In line with the principles of the global Paris Declaration and the country-specific Phnom Penh Declaration on Aid Effectiveness (October 2006), the RGC and the DPs have agreed to sign Partnership Principles in the area of PSD. In addition, in the area of trade, the MoC has taken the lead to develop a Trade SWAp, which would operationalize the trade strategy (the 2007 DTIS) and significantly improve the effectiveness of external assistance.

25. **The process of designing the Trade SWAp is ongoing.** Three design teams (Trade SWAp “pillars”, motivated by findings of the DTIS) cover: (i) cross-cutting reforms (including legal reform, trade facilitation, SPS / TBT, investment promotion, intellectual property rights); (ii) sector specific reforms (focusing on the 19 priority products identified by the DTIS); and (iii) capacity building (both individual and institutional). They are co-led by the RGC (Ministry of Commerce) and respectively the World Bank, the UNDP, and UNCTAD. A large group of RGC and DP stakeholders participate to this design. After a launch workshop in Sihanoukville in January 2008, the three design teams meet on a monthly basis to prepare logframes. It is expected that a first draft of the overall program would be available early 2009. Some parts of the design are already well advanced and the proposed TDSP builds on those. The proposed TDSP will support further this design, promoting a “learning-by-doing” approach based on experimentation and strong monitoring and evaluation. Activities financed by the TDSP through an annual work programming process will be derived from the Trade SWAp logframes as approved by the Sub-Steering Committee on Trade Development and Trade-Related Investment.

Annex 2: Major Related Projects Financed by IDA and/or other Agencies

CAMBODIA: Trade Development Support Program

1. As outlined in Annex 1, IDA is working closely with other DPs in the context of developing the Trade SWAp. Key ongoing projects in the Trade SWAp include:

- The **European Commission** has in the past years focused its assistance on supporting the MoC in setting up its Trade SWAp through support for the institutional structure for policy formulation, donor coordination and implementation of Trade-Related Assistance. The EC is providing assistance to Cambodia also through regional EC-ASEAN support in the area of standards, intellectual property rights, customs, etc.
- The **UNDP** Trade Related Assistance for Development and Equity Project (TRADE) focuses its support on pillars 2 and 3 of the Trade SWAp, with a focus on capacity building. The UNDP is supporting the development of an **Enhanced Integrated Framework** (EIF) proposal that would focus on capacity development.
- **UNCTAD** provides technical assistance for the implementation of the RGC commitments to WTO (including legal framework) and capacity development for trade negotiations. UNCTAD is also the implementer of the ASYCUDA system in CED and provides technical assistance to develop the Blue Book on investment facilitation.
- Since 2001, **UNIDO** has been providing assistance on Standards, Metrology, Testing and Quality (metrology laboratory, infrastructures for microbiology/chemical testing and calibration; establishing basic operational standard-related institutes). In addition, UNIDO supported the drafting of the Law on Concessions and the Sub-Decree for its implementation.
- The **Asian Development Bank** has been supporting the Small and Medium Enterprise sector through program loans. It is now developing a new phase of support for Private Sector Development, including trade-related elements (such as SPS).
- Japanese assistance on trade and investment includes: (i) **JBIC**'s support to Special Economic Zones (Sihanoukville Port SEZ, and possibly legal framework and capacity building); (ii) **JICA**'s support to the Cambodia Investment Board; and (iii) **JICA**'s support to CED (risk management).
- The **IFC / FIAS** supports improvements in the business enabling environment through (i) monitoring of province performance; (ii) process simplification; (iii) support to formulation of SEZ policies and regulations; and (iv) support to reform to the CIB.
- **USAID** is initiating an Economic Growth program that supports a better business environment, including (i) stronger value chains; (ii) strengthened private sector voice; and (ii) increased public sector capacity.
- Other DPs include French, German, and Australian bilateral assistance.

2. In addition, the IDA-financed Trade Facilitation and Competitiveness Project (P089196), a US\$10 million grant approved in 2005, supports the development of a more supportive environment for trade. This includes four components: (i) automation and computerization of trade systems (starting with customs); (ii) creation of a matching fund to help exports access markets ("Export Market Access Fund"); (iii) support to enabling environment for private participation in infrastructure; and (iv) transparency in legal framework. Progress has been made

in a number of areas, including the implementation of ASYCUDA. The project is being restructured in 2008/09 to acknowledge RGC's approach in developing a Single Window.

3. Finally, IDA is active through a series of Poverty Reduction and Growth Operations (PRGOs). These Development Policy Operations focus on three sectors, including PSD (with a strong emphasis on the trade agenda).

Annex 3: Results Framework and Monitoring
CAMBODIA: Trade Development Support Program

I. Results Framework

1. **The Project Development Objective (PDO) of the TDSP is to increase RGC's efficiency in formulating and implementing effective trade policies.** The TDSP would be expected to promote improvements in diverse areas affecting a general enhancement in trade, consistent with the recommendations of the DTIS. While each of the activities it supports will have its own concrete results, the aggregative effect of the TDSP would be that it leads to a sound process and good coordination in achieving these individual results with a strategic focus. Therefore, the results framework includes a mix of indicators measuring quality of processes as well as specific impacts on trade. The TDSP Steering Committee, with the support of the TDSP Implementation Committee, would be responsible for assuring that progress towards the PDO continues to be achieved.

PDO	Project Outcome Indicators	Use of Project Outcome Information
The objective of the TDSP is to increase RGC's efficiency in formulating and implementing effective trade policies	Regular practice of a streamlined, RGC-led process for consultation and financing between RGC policy-makers and implementing agencies and between RGC and donors, and satisfactory progress in implementing the Trade SWAp as evidenced by Annual Performance Reviews and third-party analysis	Supports formulation and implementation of PSD and broader trade related policies and programs that may be covered in the Trade SWAp
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
1. Trade Policy Formulation and Implementation		
1a. Sustained progress in trade policy formulation and implementation in the areas of SPS and TBT	(i) Increased coverage of sanitary and phyto-sanitary (SPS) regulations and support services (ii) Improved compliance with WTO agreement on technical barriers to trade (TBT) (iii) Evidence of increased clarity / rationalization in institutional responsibilities for SPS and TBT	Provides guidance to the development of longer term sustainable institutions, promoting trade and economic diversification
1b. Sustained progress in trade policy formulation and implementation in the area of trade facilitation ("12 Point Action Plan" and its successors)	(i) Evidence of satisfactory progress in the 12 point action plan (and its successors) (ii) Proportion of containers physically open (%) (iii) Average time for imports / exports (days)	Supports and informs continuing development of overall trade and poverty reduction programs
1c. Sustained progress in trade policy formulation and implementation in the area of legal reform and other WTO obligations	Evidence of higher compliance of Cambodia legal framework with WTO obligations	Supports and informs continuing development of overall trade and poverty reduction programs

2. Increased transparency and user feedback mechanisms on trade-related processes	A transparent, consistent and sustained trade monitoring system grants regular access to trade information by stakeholders	Informs Annual Performance Reviews, contributes to improved trade development climate and general investment climate and feeds back into policy design
3. Strengthened institutional and human capacity in MoC, and other trade-related agencies	Increased efficiency and effectiveness of functions performed in critical MoC departments and targeted agencies	Facilitates reform management and mobilizing support for Trade SWAp

II. Arrangements for results monitoring

2. **Setting up a good M&E system is crucial for the Ministry of Commerce to move towards a Results-Based Management approach which will take the form of the Trade SWAp.** M&E is a set of interrelated processes of planning, information collection, analysis and reporting to provide means for learning from experience, improving services delivery, planning and allocating resources and analyzing results. It should enable to: (i) track progress during implementation and remain alert for corrective actions; (ii) determine systematically the relevance, efficiency and effectiveness of AOP activities; (iii) assess the impact on beneficiaries; and (iv) pinpoint lessons for future interventions. The M&E system will support a cultural shift of the administration from focusing on measuring inputs to a performance management culture which focus on managing inputs and outputs to achieve outcomes. Customized results-based management systems are critical for success: hence basic approaches to implementing performance management must be selected according to the needs and situation of each country. The M&E System will also be a tool to promote a cultural change for civil servants to feel they are accountable for results, not just to their supervisor, but to the organization, customers, and stakeholders. The M&E System will have to be as simple as possible.

3. **The newly mandated Sub-Steering Committee (SSC) on Trade Development and Trade-related Investment, chaired by the Senior Minister of Commerce, will constitute a subgroup to monitor results of the TDSP.** It would evaluate these results in conjunction with the results of complementary projects financed from other sources within the Trade SWAp. The TDSP Steering Committee would focus on achievement of the TDSP PDO. The TDSP Implementation Committee would monitor the implementation of the various activities undertaken under the TDSP and their results on a quarterly basis. Work required to support this monitoring would be performed by the M&E Office in the MoC's Department of International Cooperation.

4. **As part the newly established the Department for International Cooperation (D/ICO), the M&E Office was given the responsibility for monitoring and assessing the implementation of Trade SWAp projects and developing indicators and tools to monitor progress in implementing the Trade SWAp.** The Office has to assess periodically and evaluate progress in implementation and report to the Secretary of State and the SSC accordingly. A Deputy Director of D/ICO is responsible for the Office, which is run by a Chief of Bureau and by two Deputy Chiefs. The M&E capacity of the staff is very limited and a long-term program of training and assistance is needed. The M&E Office of D/ICO is expected to set up a results-Based M&E System which will have two main foci. First, it will perform M&E functions for all

Trade SWAp projects and programs, including the TDSP and future activities funded under the Enhanced Integrated Framework (implemented through UNOPS). Moreover, it will have to progressively take over responsibility for measuring the performance of the trade sector in Cambodia, including improvements in the private sector climate (in particular in the area of trade facilitation). The M&E Office will have to set up a system for feeding back information from the Private Sector Forum, providing for an institutional platform mandated to keeping track of the results of public-private sector dialogue. In conjunction to its support to the MDTF (hence to the TDSP), the EC is providing support to the M&E Office to develop the M&E framework of the overall Trade SWAp.

5. To support the TDSP as an enabler for the Trade-SWAp, the TDSP Steering Committee will conduct an “Annual Program Review” (APR) of progress made by the activities that have been financed by the TDSP, as well as all other complementary trade facilitating activities. An APR would consist of two parts: first a review of the results achieved by the activities undertaken during the preceding year in relation to the long-term goals of improving the trade enabling environment; second, identification of new, modified or continuing activities that would further promote long term trade facilitation objectives. Where APRs have been successful, they have been conducted as (i) events lasting two to three days; (ii) based on both the self evaluation of progress presented by the officials responsible for the activities as well as an overview third-party evaluation of strategic progress; and (iii) including the participation of government officials, civil society and donors in an exchange of views on steps that would address continuing and new issues confronting trade and development. In the case of the TDSP, the APRs will be informed by annual third-party reviews financed by the MDTF (Annex 6).

6. To help structure the results monitoring arrangements, the following benchmarks have been agreed. However, as the TDSP will support an evolving program, activities and specific sub-project results will be determined by annual work programs. Therefore, benchmarks are presented largely as “process indicators” rather than as specifically determined “results”.

Arrangements for results monitoring

Project Outcome Indicators	Baseline	Target Values				Data Collection and Reporting		
		YR1	YR2	YR3	YR4	Frequency and Reports	Data Collection Instruments	Responsibility for Data Collection
Regular practice of a streamlined, RGC-led process for consultation and financing between RGC policy-makers and implementing agencies and between RGC and donors, and satisfactory progress in implementing the Trade SWAp as evidenced by Annual Performance Reviews and third-party analysis	Trade SWAp approach agreed; initial annual work plan ready for implementation	Completion of first APR, first Trade SWAp 3-year rolling plan finalized, and agreement on follow-on work program Evidence of progress in Trade SWAp implementation in APR	Completion of second APR and agreement on follow-on work program Evidence of progress in Trade SWAp implementation in APR	Completion of third APR and agreement on follow-on work program Strategic review of TDSP activities completed Evidence of progress in Trade SWAp implementation in APR	Completion of fourth APR and agreement reached on further TDSP support Evidence of progress in Trade SWAp implementation in APR	Annual, with quarterly updates based on SSC / IC meetings Annual Performance Review (APR)	RGC review and third party analysis based on D/ICO and agency reporting	D/ICO, with support from TFFT

Intermediate Outcome Indicators								
<i>1. Improved environment for trade</i>								
1a (i) Increased coverage of sanitary and phyto-sanitary (SPS) regulations and support services	Incomplete regulatory system on SPS; occasional non-compliance with WTO agreements on SPS	Coherent action plan for SPS agreed with stakeholders	10% increase of export volume of products requiring compliance with SPS	Additional 10% increase of export volume of products requiring compliance with SPS	Additional 10% increase of export volume of products requiring compliance with SPS	Monthly for export data, annual for monitoring of action plan implementation	Annual review of SPS action plan, to be prepared in Year 1 Exports Statistics	D/ICO, CamControl, MIME, MoH, CED
(ii) Improved compliance with WTO agreement on technical barriers to trade (TBT)	Incomplete regulatory system on TBT; occasional non-compliance with WTO agreements on TBT	Coherent action plan for TBT agreed with stakeholders	10% increase of export volume of products requiring compliance with TBT	Additional 10% increase of export volume of products requiring compliance with TBT	Additional 10% increase of export volume of products requiring compliance with TBT	Monthly for export data, annual for monitoring of action plan implementation	Annual review of TBT action plan, to be prepared in Year 1 Exports Statistics	D/ICO, CamControl, MIME, MoH, CED
(iii) Evidence of increased clarity / rationalization in institutional responsibilities for SPS and TBT	Sub-optimal institutional set up	Coherent institutional setup agreed	Initial 20% progress in implementation of action plan clarifying	Additional 20% progress in implementation of action plan	Additional 20% progress in implementation of action plan		Annual review of SPS and TBT action plan, to be prepared in	D/ICO, CamControl, MIME, MoH, CED

Intermediate Outcome Indicators								
			institutional arrangements				Year 1	
1b. (i) Evidence of satisfactory progress in the 12 point action plan (and its successors)	12-Point plan under implementation	Diagnosis of status of 12-Point Plan, with identification of gaps suitable for additional subsequent TDSP support	As for Year 1 NOTE: CamControl has initiated boarder risk management plan	As for Year 2 NOTE: CamControl begins to apply risk management plan	As for Year 3	Annual	Various agencies (e.g. CED on risk management) under D/ICO coordination	D/ICO, CED, Others
(ii) Proportion of containers physically open (%)	100%	50%	50%	25%	25%	Quarterly	ASYCUDA	CED
(ii) Average time for imports / exports (days)	5.1 / 3.9	n/a	n/a	4 / 2	n/a	Ev. 3 years	Investment climate surveys	D/ICO
1c. Evidence of higher compliance of Cambodia legal framework with WTO obligations	Review of Legal Action Plan indicates patchy compliance of Cambodian trade regime with WTO accession protocol	15% implementation of legal action plan	Additional 15% implementation of legal action plan	Additional 15% implementation of legal action plan	Additional 15% implementation of legal action plan	Quarterly review of action plan	Review	D/ICO with MoC legal department
2. A transparent, consistent and sustained trade monitoring system grants regular access available to trade information on demand by stakeholders	Weak and fragmented M&E system in place (pilot ASYCUDA, other surveys, etc.)	Draft Results-based M&E System Initial set of documentation available on MoC website Design of user feedback survey	Implementation of M&E system with systematic collection of data and preparation of Annual Program Review Revamped trade website and extensive information available	Implementation of M&E system with systematic collection of data and preparation of Annual Program Review	Implementation of M&E system with systematic collection of data and preparation of Annual Program Review	Annual	M&E System (manual) Website, survey	D/ICO

Intermediate Outcome Indicators								
			First user feedback survey	User feedback survey Evidence of use of feedback & M&E system in design of trade policy	User feedback survey Evidence of use of feedback & M&E system in design of trade policy		APRs, external reviews	
3. Increased efficiency and effectiveness of functions performed in critical MoC departments and targeted agencies (as evidenced by implementation of MBPI, strengthening of PFM functions, and implementation of capacity needs assessment)	Weak capacity of several MoC's departments and other agencies Ongoing MoC's restructuring, including setting up of DICO	Operational plan for capacity development of MoC and D/ICO launched MBPI designed for MoC Scoping of needs on PFM reform at MoC Organizational needs assessments concluded for 2 agencies	Implementation of plan Initial implementation of MBPI at MoC MBPI designed in 2 other trade-related departments PFM reform ongoing and benchmarks for moving to country systems set Identified agencies meet first progress benchmark Needs assessments for 2 new agencies completed	Implementation of plan MBPI implemented in MoC cont. Further expansion of MBPI as necessary Move toward country systems as capacity is built Agencies meet benchmarks	Implementation of plan MBPI performance in MoC reviewed cont. Further expansion of MBPI as necessary Move toward country systems as capacity is built Agencies meet benchmarks	Annual	D/ICO annual report and annual external evaluation	D/ICO, MoC's administrative departments, MDTF for external evaluation

Annex 4: Detailed Project Description

CAMBODIA: Trade Development Support Program

1. **The TDSP would be established for an initial period of 3 years and 3 months** (covering 4 consecutive annual budget cycles of the RGC), or until the initial donors' commitments have been exhausted. A full Strategic Review of results of the TDSP would be conducted in the first quarter of year 3 of project implementation.

The TDSP would have four components supporting the implementation of the Trade SWAp. Component 1 would mainly support the first pillar on cross-cutting reforms, whilst Components 2 and 3 would support the third pillar on Capacity. All three components would give priorities to reform and capacity development that would enable growth in the priority sectors identified in the DTIS and supported by the second pillar of the Trade SWAp. Component 4 seeks to build implementation capacity for the TDSP and, by extension, the Trade SWAp. These components have been identified jointly with the RGC, based on a combination of factors: (i) strategic relevance (see Annex 1 on the background of the sector); (ii) complementarity with other DP interventions; (iii) Bank comparative advantage; and (iv) readiness of strategic plans.

Component 1: Trade Policy Formulation and Implementation

2. **This component focuses on trade policy formulation and implementation, and specifically includes three sub-components identified as priority in the DTIS and covered in the Trade SWAp.** The TDSP would finance consultant services, goods, operating costs, and staff development costs required to implement activities identified in the Trade SWAp and in the AOPs. This would include the following substantive sub-components:

- *1a: Technical Barriers to Trade (TBT) and Sanitary and Phyto-Sanitary (SPS).* This first sub-component will support activities to accelerate the implementation of Government's commitments in the area of SPS and TBT. Most of the products identified as high export potential by the DTIS 2007 are SPS sensitive and both SPS and TBT are increasingly important and challenging for Cambodian exporters. The initial set of activities agreed responds to: (i) a demand formulated by the private sector to document and disseminate standards and certification mechanisms already available to Cambodian firms and (ii) a request to train garment firms on standards to export to European markets. In parallel, the Standards and Trade Development Facility (STDF), a WTO-managed Trust Fund, will facilitate the development of a consensus for priorities in the area of SPS. This will form the basis for future support in this area. Activities beyond the first year, to be included in AOPs, could include the following: review of the law on industrial standards and related implementing regulations to become WTO compliant; financial support for new exporters or SMEs to meet SPS and TBT requirements; support to establish the necessary regulations on food safety and secure necessary training; support the implementation of fishery certification to access international markets; and training in Integrated Pest Management to strengthen RGC's capacity to undertake risk assessment. Key DPs in this sector include: ADB, FAO, and UNIDO.

- *Ib: Trade Facilitation.* This second subcomponent will support activities to accelerate the implementation of the 12-point Action Plan on Trade Facilitation. Through a further reduction in import and export costs at the border, this will lead to increased transparency in trade-related transactions and export competitiveness. An initial set of activities has been agreed and includes: (i) training on risk management and setting-up of Risk Management Unit in trade-related agencies (other than the Customs and Excise Department – CED –, which created such unit in 2007); (ii) private sector outreach on risk management (building on the computerization of customs through ASYCUDA, which is financed by an IDA grant); and (iii) technical assistance to design a WTO-compatible Flat Fee for Services. Activities beyond the first year, to be included in AOPs, could include the following: full automation of trade-related agencies and improving their readiness to communicate with ASYCUDA; assessment of process re-engineering efforts in trade-related agencies; implementation of a WTO-compatible Flat Fee for Services; further private sector outreach programs including repercussions for the private sector of the implementation of reform in e.g. trade facilitation and SPS, and on good corporate governance. This sub-component would complement the IDA project on Trade Facilitation and Competitiveness (which focuses mainly on ASYCUDA and could be leveraged by more focus on trade-related agencies other than CED), as well as support to CED from JICA. It will also be complemented by a proposed IDA Trade Facilitation project for the Greater Mekong Subregion (GMS). Through the support to the CED’s strategic plan (which is part of the Trade SWAp), this sub-component could also finance parts of the design and deployment of the National Single Window and its core module (ASYCUDA).
- *Ic: Other Legal Reforms and RGC WTO Obligations.* The third sub-component will support activities to accelerate the implementation of other Government’s commitments to the WTO, in particular the legal reform agenda that resulted from WTO accession. The RGC has defined a WTO work-program at the time of WTO accession and progress under this program has been updated over time. Progress has been significant (Table A1.1. in Annex 1), but the agenda is unfinished. Activities to be included in AOPs could include the following: support to legal reform; development and implementation of intellectual property rights framework; and trade-related investment promotion. Other major DPs in the area include UNIDO, UNCTAD and USAID. The EC and a number of bilateral DPs are supporting the RGC in meeting its commitments in terms of Intellectual Property Rights (IPR).

Component 2: Performance Monitoring

3. **This component will support activities to develop a transparent, consistent, and sustainable performance monitoring system.** As part of the 12-point action plan, the RGC agreed to establish a performance monitoring system to monitor progress accurately, engender trust of all stakeholders in the reform, and report progress to the public. The TDSP will complement World Bank’s work on improving the investment climate assessment, time release studies, assistance in implementing/improving internal time tracking systems in various trade-related agencies. This system will report the time and cost of importing and exporting products, track changes in barriers to export diversification, and include monitors from the private sector.

Priorities in this component will be driven by the design of the broader Trade SWAp's results framework.

Component 3: Strengthening Institutional and Human Capacity

4. **The third component will support the development of strengthened institutional and human capacity.** The proposed TDSP will build institutional and human capacity in Cambodia through equipping RGC staff with appropriate skills and experience to implement RGC trade policies. This component will include individual (e.g. training) and institutional (e.g. organizational reviews) capacity-building efforts, as well as salary supplements in the form of the Merit-Based Performance Incentive (MBPI). The initial set of activities agreed will focus: (i) preparation of capacity needs assessment and support to training on basic functions (management, HR, budgeting) in trade-related agencies; (ii) preparation of Public Finance Management Action Plan for MoC; (iii) preparation and implementation of communication / awareness strategy on Trade SWAp; and (iv) design of the MBPI. Activities beyond the first year, to be included in AOPs, could include the following: implementation of MBPI; demand-driven training and capacity building efforts; strengthening of human resource and public financial management functions in trade-related agencies. This will complement ongoing activities from UNCTAD and UNDP in particular, as well as the planned implementation of the Enhanced Integrated Framework (EIF), of which Tier 1 would focus on capacity development.

5. **This component would also provide funding for initiating the MBPI program in selected departments involved in the Trade SWAp.** The MBPI is an innovative mechanism to institutionalize an accelerated pay enhancement program combined with improved human resource management practices. It has been successfully tested in the Ministry of Economy and Finance (MEF) since 2005 in the context of the Public Financial Management Reform Program. An important element of this program is that the job descriptions and responsibilities of incumbents be clarified and that the latter be assisted in acquiring the skills to perform these functions. Once done, incumbents qualify for a salary supplement under the national MBPI.

6. **The MBPI features are defined by Anukret 29/Ank/Bk from April 2, 2008** and are collectively supported by DPS. The MBPI includes the following key features:

- Selected trade-related institutions that are covered under the Trade SWAp identify key positions that are critical for organizational performance. The functions, responsibilities and accountabilities and qualifications to hold these positions are clearly defined and agreed. Performance indicators for the different priorities will include target deliverables.
- The assignment of RGC staff to these positions, or the recruitment of new staff if a suitable incumbent is not found, will be based on selection criterion as identified for each specific position. These staff selection criteria will include staff qualifications and experience, interpersonal skills, past performance record, and ability to deliver. Once selected and confirmed in the position, the incumbent would receive a pay supplement as an incentive for performance;
- Staffs are selected on the basis of their abilities according to agreed selection criteria, and under a performance evaluation mechanism that allows for the removal of non-performers

based on a set of agreed evaluation criteria. The recruitment process would be transparent and governed by a departmental selection committee, incentives and recruitment subcommittee, reform committee and final approval by management. An MBPI operational manual will clearly state the appropriate criteria, processes and performance evaluation mechanisms;

- Participants received a harmonized salary supplement, based on a Government-wide scale and with the commitment on the part of the staff concerned not to accept any other salary supplement;
- The RGC would pay an increasing share of the cost of the MBPI over time, eventually assuming the full cost of the incentive payments (table below). Notwithstanding this, there is a cap of US\$500,000 per year on MBPI payment from the Program; and
- Management of MBPI would follow an MBPI operational manual to be approved by the Sub-Steering Committee (SSC) on Trade and based on the generic manual approved by the Council of Administration Reform (CAR). Agreement between the World Bank and the SSC on the manual would be a condition of disbursement of the grant resources to support the MBPI. A centralized, internal recruitment and performance evaluation review of the overall RGC MBPI program across all participating Ministries will be conducted annually.

Table A4.1: MBPI Financing Parameters

	2009	2010	2011	2012
RGC Contribution	10%	15%	20%	25%
TF contribution	90%	85%	80%	75%

7. **The MBPI in the trade sector will be first developed for the MoC and approved by the CAR and the MEF.** Then the financing of the extension of the MBPI to one or several departments or ministries will be approved through the Annual Operation Planning process. Prior to approval, capacity to develop and administer the MBPI will be built in the HR management department of the institution concerned. MBPI implementation will be supervised by an Incentives and Recruitment Subcommittee to the Sub-Steering Committee on Trade. Given the RGC-sanctioned process for approving MBPI, it is likely that not all departments involved in the Trade SWAp will be ready at the same time: the TDSP will provide assistance both for finalizing MBPI proposals for departments that are ready, and for developing the pre-conditions for a MBPI for the others.

Component 4: Implementation Support to TDSP

8. **The MoC has organized the Department of International Cooperation (D/ICO) for the purpose of conducting future relations with international donors and collaborators.** As a concrete measure of implementing this collaboration, D/ICO would be expected to eventually manage financial flows to support projects and activities advancing trade facilitation. D/ICO would undertake the management of the TDSP processes as part of its regularly mandated work of coordinating the contributions made by the international community to facilitating trade and commerce in Cambodia. However, as a new agency, it will require the services of: (i) a specialist in program management and work plan development and costing for at least 3 years; and (ii) a

qualified financial assistant to assist in financial management and procurement processing. This component will also support other departments' and agencies' capacity to implement the TDSP.

9. **During preparation, a number of activities have been discussed to be considered for financing during the first year of the TDSP** (Table A4.2). These proposals would be fully appraised through D/ICO once that unit is operational, so that they meet acceptable norms and standards covering relevance to the overall trade facilitation strategy. The contribution to the intermediate goals of the relevant components, the implementation capacity of the requesting agency and/or that of the implementing agency as well as the cost will need to be carefully assessed.

Table A4.2: Proposed First Year Activities for TDSP

Components	Leading Agencies	Activities and responsible agencies	Expected Contribution to Trade SWAp Objectives
1a. SPS and TBT	MoC (CamControl), MIME (ISC, MIP), MOH (CDC, FSB), MAFF (DAALI)	Creation of a booklet on existing certification / standards process (a strong demand from the private sector) <i>[managed by D/ICO with inputs from others; reviewed by private sector]</i> Dissemination of this booklet through training of trainers on selected standards that relate to the 19 DTIS products <i>[managed by MIME]</i> Support to Institute of Standards of Cambodia <i>[MIME]</i> Workshop on access to EC market for garment industry (REACH seminar) <i>[managed by MIME]</i>	Expanding information available to private sector and strengthening demand-side on SPS and TBT issues
1b. Trade facilitation		Technical assistance to roll out risk management strategy – now initiated in CED – across ministries (starting with Camcontrol) <i>[CamControl]</i> Consulting services to design a more effective fee structure <i>[managed by D/ICO]</i> Outreach to the private sector on ongoing reforms (risk management, ASYCUDA) <i>[managed by D/ICO]</i> Consulting services to design automation of Special Economic Zones key processes <i>[SEZCB]</i>	Completing and complementing ongoing actions (e.g. ASYCUDA, risk management in CED); supporting short term agency requirements to improve their roles in trade regulation; increasing effectiveness of ongoing reforms through better private sector awareness
1c. Legal reform and other WTO commitments		Consulting services for legal expertise <i>[legal department and legal compliance department]</i>	Completing the “WTO Accession Work Program” and providing the legal basis for export development
2. Performance monitoring system		Design user feedback mechanism	Provides feedback loop for accountability and learning in TDSP implementation
3. Strengthening institutional and human capacity, principally in the MoC		Identify key strategic functions of MoC, design of MBPI for departments affected; strengthen MoC/HR Department to perform these tasks Support other trade-related agencies to develop an approach toward MBPI Conduct capacity building needs assessments in 2 additional trade-related agencies and support training to basic functions (e.g. management)	For MoC, establishes the HR department to lead further department-by-department restructuring and rationalization of functions, permitting the application of the MBPI. For others, set the scene toward an MBPI Provides the basis for investment in institutional development of the agencies selected, and a model for the design of additional agency capacity building work

Table A4.2: Proposed First Year Activities for TDSP

Components	Leading Agencies	Activities and responsible agencies	Expected Contribution to Trade SWAp Objectives
4. Management of the Trade SWAp and TDSP		Agreement on TOR for technical assistances, their recruitment Implementation of work patterns for administering, monitoring and evaluation TDSP activities Support to communication strategy / campaign for Trade SWAp Development of PFM Action Plan	Establishes the basis for further management of the TDSP, with secondary benefits in building D/ICO capacity in its assigned role.

Annex 5: Project Costs

CAMBODIA: Cambodia Trade Development Support Program

1. **Indicative costings have been prepared based on (i) activities to be funded the first year and (ii) a priori view of priorities and costs (such as cost of MBPI).** A defined amount is allocated to providing contracted support for D/ICO for processing TDSP activities (Component 4). The remainder will be allocated among activities that comprise work programs that are approved annually. Hence, activities will be included in the annual cost of the TDSP so as to absorb available funds.

Project Cost By Component and/or Activity	Local US \$million	Foreign US \$million	Total US \$million
1. Trade Policy Formulation and Implementation	<i>0.00</i>	<i>0.00</i>	<i>5,700,000</i>
1.a SPS and TBT			
Of which			
• Booklet preparation			2,000,000
• Booklet dissemination through “training the trainers”			
• Reach Seminar			
1.b Trade facilitation			
Of which			
• Training on risk management and setting-up of Risk Management Unit in trade-related agencies			2,500,000
• Private sector outreach on risk management			
• Technical assistance to design a WTO-compatible Flat Fee for Services			
1.c Legal Reforms and Other WTO Obligations			1,200,000
2. Performance Monitoring	<i>0.00</i>	<i>1,000,000</i>	<i>1,000,000</i>
3. Institutional and Human Capacity	<i>250,000</i>	<i>4,850,000</i>	<i>5,100,000</i>
Of which			
• Capacity assessment and delivery of basic training			
• Support to MBPI preparatory work			
• Development of PFM Action Plan for MoC			
• Indicative envelope for MBPI (capped at \$500,000 per annum)			
4. TDSP Implementation Support	<i>0.00</i>	<i>800,000</i>	<i>800,000</i>
Of which			
• TDSP implementation capacity			
• Support to Trade SWAp communication capacity			
Total Financing Required	250,000	12,350,000	12,600,000

Note: Identifiable taxes and duties are approximately US\$m 1.2 (based on the 10% VAT). Therefore the total project cost, net of taxes, is US\$11.4 million and the share of project cost net of taxes is 90%.

This project will be implemented using annual work plans and agreed activities will be identified and costed on a yearly basis, with adjustment made midyear; thus the monitoring of physical & price contingencies are not relevant. Variations in planned budget v/s actuals will be monitored in the quarterly interim financial reports.

Annex 6: The Multi Donor Trust Fund on Trade Related Assistance in Cambodia (MDTF TRAC)

CAMBODIA: Trade Development Support Program

A. Objectives

1. **In order to harmonize the approach to setting priorities among donors and methods of financing these priorities, several DPs – DANIDA, the EC and UNIDO – have agreed to establish a Multi Donor Trust Fund (MDTF) on Trade Related Assistance in Cambodia.** The TDSP will be a recipient-executed grant financed by the MDTF.

2. **The specific objectives of the MDTF are to improved developmental impact of donor advice and, significantly, increase government’s own ownership of the formulation and implementation of trade policy.** A significant objective of the TF and the Trade SWAp is to promote clear government leadership of trade reform while enhancing donor comfort for coordinated funding through oversight of procurement and related financial arrangements. To the extent possible, all of the activities would be implemented by existing structures and respecting capacities of RGC’s current line ministries and departments. This would integrate the TF financed activities and attach accountability directly into normal operations of the Ministry of Commerce (MoC) and other stakeholders. Evidence that meeting the MDTF objectives will be that more donors are considering participating in the MDTF as a means of making resources available to the RGC for the Trade SWAp, and that there is reduced fragmentation, increased coordination and agreement among donors on policy approached and investment priorities.

3. **The indicative resource envelope available for the Trust Fund is US\$16.5 million (equivalent)² over the next 3 years and 3 months** (exclusive of the Government’s contribution). This comprises US\$10.0 million from the European Commission, US\$6.3 million from Denmark, and US\$0.3 million from UNIDO. Of this, US\$12.35 million would be directly used as a “Recipient-Executed” (RE) segment, that is, the TDSP; US\$3.5 million to support a “Bank-Executed (BE) segment; and the balance (US\$0.7 million) for implementation support.

4. **Contributions to the TF are governed by administrative agreements between the World Bank and donor governments.**

B. Bank Executed Activities

5. **The TF would finance operations of a MDTF Facilitation Team (TFFT) to be managed by the World Bank in its office in Phnom Penh.** This TFFT would be staffed by three persons with appropriate skills and experience (non-World Bank staff), including one international expert in trade policies, one national general operations officer, and one program assistant. Draft terms of reference have been discussed between the World Bank, MDTF DPs, and MoC as part of MDTF preparation. The team would be managed by the World Bank Task Team Leader for the MDTF. Its functions would be three-fold.

² The exact number will depend on the exchange rate at the time the contribution is received. The data in this document reflects the exchange rate as of December 19, 2008.

6. **First, the TFFT will provide quality assurance services** to trade-related agencies implementing activities financed through the TDSP, in coordination with the MOC. The TFFT services would include: (i) assistance with developing terms of references for component interventions; (ii) capacity building in technical proposal evaluation; (iii) assistance to D/ICO and the IC in analyzing outputs for conformity with terms of reference or other specifications established for the output; and (iv) coordinating “just-in-time” advice from DPs at regular coordinating meetings. The specific services may evolve in light of progress made by the RGC and DPs in advancing the activities for meeting the goals of the Trade SWAp. The TFFT would not do any independent reporting, nor play any direct role in the implementation of specific activities (these would be done by government departments and agencies). It would, however, provide a technical anchor to the Trade SWAp process (see below).

7. **Second, the TFFT would assist the World Bank (WB) Task Team Leader (TTL) to exercise his/her responsibilities for overseeing TF implementation** by advising him/her on the issuance of no-objection decisions as required by the application of World Bank procurement and financial management guidelines, and on the acceptability of IFRs prepared by the MoC/IC. This would permit the TTL to advise TF contributors of progress according to the TF agreements.

8. **Third, the TFFT will provide analytical work necessary for the implementation of the MDTF.** This will include an annual external review of progress. This would also include a range of other instruments, on a demand-basis, from short policy notes to survey-based reports such as Investment Climate Assessments. Preparation and dissemination of these products will be agreed with the RGC and the MDTF DPs and will follow World Bank processes (in terms of quality control, dissemination, etc.).

C. Trust Fund Management and Governance Arrangements

9. **The World Bank Task Team Leader (TTL) for the TF will report to the DPs on MDTF implementation, disbursement, procurement activity, and new commitments for the program, as per requirements to be specified under various “Administration Agreements”.** The TTL will consult with contributing DPs formally on quarterly basis on the performance of the MDTF. The TTL will also ensure that timely information on implementation is continuously made available to the D/ICO, as well as any other information that may be required by that Department in the fulfillment of its mandate. MDTF contributing DPs will conduct an annual implementation support mission in advance of the APR.

10. **MDTF resources would finance the TDSP and the TFFT.** The implementation arrangements of the TDSP are the subject of this document and of Annex 7 in particular. The implementation of activities under the TFFT will follow World Bank internal regulations and quality control mechanisms, and will be subject to regular reporting to MDTF contributing DPs. The TDSP Steering Committee will serve as MDTF Steering Committee as well, agreeing on annual plans and monitoring implementation.

11. **Additional donors may become participants in the MDTF.** These donors would have the option of (i) supporting the TDSP (which would be encouraged), or (ii) identifying a parallel segregated activity, still within the scope of the Trade SWAp.

(i) Resources mobilized through the TF to be allocated to the TDSP would be treated as supplementary financing to the ongoing SP and appraised in accordance to the World Bank guidelines for “Supplementary Financing”, assuming that the Development Objectives of the TDSP remain unchanged. This means that new resources could be used to increase the scope of activities already in annual work plans and/or add additional activities to the work programs.

(ii) Resources mobilized to be allocated to activities implemented in parallel to the TDSP would be applied after the TFFT had conducted a preparation and appraisal of the proposed use according to World Bank investment lending guidelines.

Annex 7: Implementation Arrangements
CAMBODIA: Trade Development Support Program

I. Governance Structure

1. **The governance of the TDSP is embedded in the overall governance structure of the Trade SWAp and the donor trust fund that has been mobilized to support trade development activities.** The RGC has designated the MoC and its senior minister as being accountable for the operations of the Trade SWAp. They would also, therefore, be responsible for the implementation of the TDSP. The Senior Minister MoC would delegate daily operational responsibilities for the TDSP to the Director of the Department of International Cooperation (D/ICO).

2. **These officials would implement the TDSP through the following specific oversight arrangements** (as may be required to cover specific areas of policy focus such as SPS and TBT, additional ad hoc consultative groups/committees may be formed under the jurisdiction of the SC):

i) The TDSP Steering Committee (SC) will be embedded in the Sub-Steering Committee on Trade Development and Trade-Related Investment, of which the terms of reference have been clarified by the RGC in August 2007 (and could, for instance, meet as a sub-group of the Sub-Steering Committee immediately after Sub-Steering Committee meetings). The SC will be chaired by the Senior Minister of Commerce, and comprise the heads of Agencies benefiting from the TDSP, the World Bank, and representatives of Development Partners (DPs) that have contributed to MDTF (except those DPs that opt out of the SC to be eligible to implement TDSP specific activities); representatives from other DPs and the private sector would be invited to relevant meetings as observers. The SC would have overall responsibility for setting policy directions for the content of the TDSP, ensuring that operations are in conformity with Trade SWAp objectives and policies. This SC would meet at least twice annually to receive status reports from the chairman of the IC, be appraised of trade policy or regulatory issues beyond the purview of the IC, and issue guidance for further work of the TDSP. It would be directly involved in discussions of the Annual Program Review (APR) and clearance of the Annual Operational Plan (AOP). It would formally transmit the annual progress report of the TDSP (including the project audit) to the World Bank and Donors.

ii) The TDSP Implementation Committee (IC) would be chaired by the Secretary of State in charge of D/ICO and the Director of the D/ICO would be its Secretary. The IC would comprise heads of agencies which have activities financed under the TDSP; and may also comprise agencies involved in broader trade facilitation issues which are not currently beneficiaries of the TDSP but are likely candidates for future interventions. The IC would be convened quarterly with the objective of identifying and resolving to the extent possible any generic issues affecting implementation of TDSP activities, identification of trade policy or regulatory issues that the SC should address, and to provide a forum for tracking progress in implementing MDTF activities. It would also assure that there was adequate coordination between line agencies which had closely shared mandates or were part of

broader sets of issues such as SPS and TBT. The IC would be the counterpart agency for the World Bank and would clear and transmit quarterly progress reports to it.

iii) The TDSP Secretariat located in the D/ICO would assist the Director D/ICO (in his/her role as Secretary of the IC) in managing the daily operations of the TDSP. These functions include processing the development of AOPs, supervising their implementation and monitoring results, arranging for the procurement of necessary goods and services, and accounting for TDSP finances. D/ICO would be strengthened with contracted staff. Over time, some of these functions might be moved to existing departments, such as the MoC's budget or financial department, its human resource department, etc. D/ICO is currently composed of four offices: (i) Trade SWAp Secretariat, (ii) Aid for Trade Assistance Management, (iii) Aid for Trade Planning and Training, and (iv) Aid for Trade Monitoring & Evaluation. It was agreed to create a cell with staff from these four offices with clear accountability for the management of the TDSP.

Consultations

3. **At the policy level**, in addition to any other meetings it may wish to schedule, the SC will meet twice a year to review and assess results of the TDSP, provide policy guidance and coordination, and discuss and review plans for the following year. It will meet as a sub-group of the Sub-Steering Committee on Trade Development and Trade-Related Investment which has the same functions for the overall Trade SWAp, and coordinate DP support to individual components of the Trade SWAp.

4. **At the operational level**, the IC will meet with TDSP donors and representatives from any other ad hoc thematic committees, to review results (interim and completed) of the TDSP and to flag any issues that need to be addressed. These working level technical meetings will be on a quarterly basis unless a more frequent schedule is decided upon by its members. These meetings will be co-chaired by the head of the IC with the TTL of the World Bank. At its quarterly meetings, the IC would typically review and formally approve an implementation report prepared by the TDSP Secretariat. This report would include information on: (i) status of component interventions; (ii) work on-going; (iii) expected outcome and outputs; (iv) financial accounts; (v) work plan for the next quarter; and (v) any issues arising. During the bi-annual meetings, the SC will have the right to suggest modifications of the AOPs, based on the quarterly interim reports on the implementation.

5. **An annual review of the overall performance of the reform program, funded under the MDTF, will be conducted by independent evaluators to review the overall effectiveness of the program.** The RGC, with the support from the TDSP, will implement recommendations made in such review on a best effort basis.

II. TDSP Operations

6. **D/ICO would prepare and present for approval, successively to the IC and then the SC, an Annual Operational Plan (AOP) including activities supporting the overall goals of the Trade SWAp.** It would be developed following the RGC normal budget preparation cycle,

in order that activities were well integrated into the normal operations of the agencies concerned. However, some modification could be recommended by the IC following a mid-year review of progress.

Work Program Preparation

7. **The steps to be taken in preparing and implementing the annual work program** would include the following (timing in terms of calendar month would be determined to correspond to the budget cycle of the RCG):

- IC identifies a preliminary list of issues based on the logframes (cf. Annex 1 on the design of these logframes by three design teams) approved for the Trade SWAp based on results of the preceding year's program, new developments and information, changing priorities and advice from donors and agencies themselves; the Sub-Steering Committee on Trade Development and Trade-Related Investment – and the SC as its sub-group – would discuss and give approval to this “strategic” proposal;
- IC briefs Implementing Agencies on formulation of results-focused activities that would identify outputs, resource needs, implementation responsibilities and accountabilities and timing;
- Agencies complete preparation of their activity(ies) with assistance of IC and D/ICO as needed, and submit them to IC for evaluation. These activities would be framed to be within the operational mandates of these agencies;
- IC “appraises” individual proposed activity packages for consistency with the Trade SWAp, the agreed annual strategic results, efficiency, resource needs and implementability, and reaches technical agreement with the requesting agency on the package. The evaluation process is outlined below;
- At a time to be determined, the TDSP Secretariat prepares a draft annual work program that aggregates the “appraised” activities agreed with Implementing Agencies (IAs). This work program identifies overall results, program budget, a procurement plan, summary of monitoring arrangements agreed with agencies. The consolidation of the work program would also account for the findings of the previous year's mid-year review of implementation progress vis-à-vis the work plan;
- IC reaches agreement on this draft work program with the World Bank as administrator of the financial envelope, and submits it to the Sub-Steering Committee on Trade for approval;
- The Sub-Steering Committee, after review for consistency with the Trade SWAp objectives and three-year plans, formally submits the work program to SC for final agreement.

8. These steps would be elaborated and included on a TDSP Operation Manual that would be discussed with stakeholders in a TDSP launching workshop.

Activities Appraisal and Implementation

9. **D/ICO would receive (and often solicit) proposals from agencies with responsibilities in the Trade SWAp, for actions to be included in the TDSP annual work program.** D/ICO would guide agencies in making these proposals following a standard format that made explicit:

- Its direct link with agreed Trade SWAp logframes;
- The issue or problem to be resolved, its importance in the overall trade strategy, and the intended beneficiary;
- The result that would be sought for the beneficiary;
- The actions to be taken and time required for completion;
- The resource requirement for implementing the actions;
- Responsibilities and accountabilities for achieving the result;
- Means of verification of the result.

10. **D/ICO would appraise the proposal**, with the assistance of third party advisors if needed, for its strategic relevance; technical feasibility and cost-effectiveness; and implementability. Details of these criteria (and an application template) would be given in a TDSP Operations Manual and discussed with stakeholders in a TDSP launching workshop. Proposals, and subsequently activities would be designed so as to identify a measurable and monitorable result, and then the package of “inputs” (consultant services, goods, operating costs, travel and communications costs, etc) that would be required to achieve it. Activities would not be defined simply as the provision of consultants, equipment, travel, or other “inputs”. Proposed activities would be amalgamated into AOPs to ensure coherence of actions with policy, efficiency, and accountability for results. Generally, activities included in AOPs would:

- Be drawn from the Trade SWAp’s logframes;
- Be modest in scope and be readily accommodated within the technical and institutional capacity of the agencies implementing them;
- Be implementable within a 12-18 month time frame so that the overall program would evolve to permit the absorption of new measures, institutional changes and learning by experience; and
- Cover the development of regulations, training of ministry staff and civil society in the application of new regulations, applications of technologies for managing trade facilitation among others. Training and systems re-engineering that contribute to the improved capacity of the agency to perform would also be encouraged. Sub-grants to private sector or other non-governmental organizations could also be considered, in particular to strengthen private sector’s voice in trade policy design and implementation. In some areas that still lack a clear way forward (e.g. SPS, TBT, MBPI), activities could include the development of a clear approach and workplan, as well as consensus-building efforts. The MBPI scheme itself will also be eligible. Finally, activities that strengthen the agency’s ability to use regular government systems to conduct its mandates could also be financed.

11. **D/ICO and the respective IA would agree on a Memorandum of Understanding (MoU) covering the implementation of the activity.** These MoUs would include the details of the agreed activity after its appraisal and would also include arrangements for reporting by the implementing agency and monitoring by D/ICO.

12. **Under the current arrangements with the Independent Procurement Agent (IPA).** As the Procurement Coordinator Unit for the TDSP, D/ICO, in consultation with relevant Trade SWAp agencies, will provide the technical specifications for goods and works, and terms of reference for consultant services to the IPA who would secure the goods, works, and services required by the implementing agency; with the exception of contracts to be procured under direct contracting, single source selection of firms, selection of individual consultants (regardless of value), hiring of NGOs, procurement of goods estimated to cost less than \$50,000 per contract, and procurement of works less than \$100,000 per contract, procurement from UN agencies, and procurement financed by sources other than TDSP, including by RGC, will not be undertaken through the IPA but by the IA itself. The IA's procurement capacity will be strengthened through the hiring of an international and a national procurement consultant. The IPA would coordinate with D/ICO for the delivery of resources to the agencies. The resources that would be required by D/ICO and line agencies which have activities financed by the TDSP would be treated and accounted for as a package, not simply as individual items procured separately (cf. Annex 9).

13. **The IA would be responsible for assuring the effective use of the resources delivered to it,** and submit and clear payment authorizations to D/ICO when goods or services had been satisfactorily received or completed. IAs would also be responsible for providing technical inputs and evaluation for "activity completion" reports when appropriate.

14. **D/ICO would either make or authorize disbursements from the TDSP** (subject to necessary clearances or approvals from the World Bank), and maintain records of expenditures and results for individual activities.

15. **TDSP implementation will be based on a clear statement of roles and responsibilities** (see Table A7.1 below). During the initial phase of implementation a number of these responsibilities will be centralized at the D/ICO in the MoC. The MDTF component on institutional capacity will include funding to build capacity in other departments, such as human resources and financial management.

Table A7.1: Roles and Responsibilities in Implementation of Work Plans

Step	Responsibility (initially)	Over time
1. Annual work plan development (assembly of agency proposals, vetting of agency proposals, vetting costing, following a separate work plan development scheduling).	D/ICO	D/ICO with resp. budget / planning department.
2. Approval of annual work plan	MoC and SC	MoC and Steering Committee at Trade SWAp level
3. Approval of procurement plan	D/ICO, with support from International Procurement Agent, and WB no-objection.	Requesting Government agency
4. Identification of technical specifications for inputs for plan activities (each activity has a package of inputs)	D/ICO with inputs from requesting Government agency	Requesting Government agency
5. Preparation and management of tendering* (with advanced notification given to the financial management unit)	D/ICO through IPA, and specified exception contracts by D/ICO itself, with Procurement Review Committee (PRC) approval and WB no objection****	MoC procurement department
6. Evaluation of bids *	D/ICO through IPA, and specified exception contracts by D/ICO itself, with WB no objection****	MoC procurement department
7. Approval of contracts*	PRC including D/ICO, and WB no objection****	MoC procurement department
8. Supervision of contracts execution	D/ICO with inputs from requesting Government agency	Government Agency with D/ICO
9. Certification of contract completion; certification of result and accounting for contract result**	D/ICO	Government Agency with D/ICO
10. Authorization of payments**	D/ICO	MoC finance unit
11. Payments and financial accounting **	D/ICO, with WB review	D/ICO with WB Review
12. Ex post evaluation activity result	D/ICO	D/ICO
13. Ex post evaluation of work plan results (see also Annex 3, Results Framework)	D/ICO, MCO, Steering Committee; then Donors and MDTF Manager	D/ICO, MCO, Steering Committee; then Donors and MDTF Manager

Note: * Steps 5, 6 and 7 elaborated with specifics agreed as part of the TDSP Procurement Procedures; ** Steps 9, 10 and 11 to be elaborated with specifics agreed as part of the TDSP additional Financial Management Manual; **** Specific processes for

taking each of these steps will be given in the TDSP Operations Manual. **** WB's no-objection only required and applicable for contracts subject to WB's prior review.

16. **The RGC has identified a preliminary list of eligible agencies who could receive assistance within the TDSP** (Table A7.2). The criterion for this selection is that the agency is directly involved in the regulatory or administrative structure governing trade development. The participation of agencies, institutions and associations representing segments of civil society may also be included as part of an activity sponsored by an eligible government agency, but with the accountability for results and the use of TF resources remaining with the government agency.

Table A7.2: Eligible Agencies

Agency	Function and Role in Trade SWAp
<p>1. MoC:</p> <p>D/ICO</p> <p>HR / Admin Department</p> <p>Cambodia Import Export Inspection and Fraud Repression Department (CAMCONTROL)</p> <p>Export Promotion Department</p>	<p>- (i) Focal point for trade related technical assistance (ii) Cooperation with relevant ministries and PDs on TA, (iii) Manage assistance in goods provided to MoC, (iv) Seek TA for HRD and Institutional Strengthening, (v) Trade SWAPs (vi) Set up indicator to monitor and evaluation the progress of the TA and report it the MoC management. Consultation with DPs for establishing mechanism to manage TA.</p> <p>- (i) Administration of civil servants in cooperation with the Public Functional Secretariat and with other ministries, (ii) Job description management and promotion, replacement, retirement, wage and salary scaling and management, (iii) Manage and keep statistic records of civil servants, (iv) HR development, (v) Structural adjustment, function and development (vi) Training development proposal (vii) (HR planning and recruitments.</p> <p>- (i) controlling and suppressing on fraudulent goods being marketed, (ii) analyzing quality of food and consumption products, (iii) supervising and certifying the compliance with nation standard on quality, safety and trademark of food and consumption products except medicine, medical equipment and cosmetic products, (iv) inspecting goods exported and imported</p> <p>- Organizing expos and other trade promotional events, market research for expanding market penetration, market management and product development, new product research for farmers/producers, and being a trade partnering/coordinating partner with donor projects and with trade promotion department of other countries. Trade development/training through providing trade policy to the government and working with partners to promote the “Buy Cambodian Product”.</p>
<p>2. MEF:</p> <p>Customs and Excise Department</p>	<p>- Lead agency at the border; owner of ASYCUDA system; mandated to coordinate implementation of risk management strategy</p>
<p>4. CDC:</p> <p>Special Economic Zone Board</p>	<p>- <i>Manages Special Economic Zones (where there is a potential for streamlining processes). A Sub-Decree No. 148 on the Establishment and Management of Special Economic Zone was adopted on December 29, 2005. This Sub-Decree created the Cambodian Special Economic Zone Board (CSEZB) as the agency responsible for the development,</i></p>

Table A7.2: Eligible Agencies

Agency	Function and Role in Trade SWAp
Cambodia Investment Board	<p>management and supervision of the operation of SEZs. A SEZ Administration is established under the CSEZB, consisting of a representative from CSEZB, Custom and Excise Department, CAMCONTROL, Ministry of Commerce and Ministry of Labor and Vocational Training.</p> <p>- The Cambodian Investment Board (CIB) is the CDC's operational arm for private sector investment. The CIB reviews investment applications and grants concessions to investors and investment projects meeting the requirements laid out in the 1994 Investment Law (Amended in 2003). This law streamlines the foreign investment regime and provides generous and competitive concessions and incentives for direct private sector investment.</p>
5. MIME Industrial Standards of Cambodia Metrology and Industrial Property	- Leads standard accreditation and certification
6. MoH Communicable disease control Food safety bureau	- In charge in particular of issues related to Avian Influenza Focuses on health aspects of food safety, in particular the oversight of hotels and restaurants
7. MAFF Department of Agronomy and Agriculture Land Improvement	- The department has the following role and functions, (i) Technical secretariat and advisor to the MAFF on the utilization of agricultural substance such as fertilizer, seeds,...etc, (ii) Phyto-Sanitary Inspection, and ensuring proper use of chemical substance for agricultural production.
8. ILO	- Provides assistance in a number of trade-related labor issues, including labor standards, labor dispute arbitration, and labor collective bargaining
9. GMAC/CAMFEBA	- Employers' associations (in garment and across sectors, respectively). Provide advocacy / accountability role.
Note: Other departments of these ministries and other ministries will be brought into the framework as per the requirements and design of the Trade SWAp.	

III. TDSP Bank Supervision

17. **The Program will be supervised as per Bank policies for IDA / IBRD projects.** Given the complexity of the program (in particular its connection to an evolving Trade SWAp) and its content (with issues such as SPS and TBT), intensive supervision is anticipated. Through the MDTF fee arrangements, a significant supervision budget has been set aside, indeed recognizing the technical complexity of the sector. The MDTF will also be financing the TFFT, which will facilitate technical supervision. There will also be synergies with the ongoing supervision of IDA's Trade Facilitation and Competitiveness Program.

Annex 8: Financial Management and Disbursement Arrangements

CAMBODIA: Trade Development Support Program

A. Summary of the Financial Management Assessment

1. Financial Management (FM) capacity assessment of the International Cooperation Department (D/ICO) of Ministry of Commerce (MoC) was carried out in late May 2008 and updated in October 2008 during the appraisal for actions undertaken so far in the action plan. The objective of the assessment was to determine the adequacy of the FM arrangements for the Project, and whether such arrangements meet the World Bank's requirements. The arrangements are acceptable if they: (a) are capable of correctly and completely record all transactions and balances relating to the Project; (b) can facilitate the preparation of regular, timely and reliable financial statements; (c) safeguard the Project assets; and (d) include auditing arrangements acceptable to the World Bank. After taking into account all mitigation measures and with the implementation of the agreed actions, the project FM arrangements are considered adequate and do meet the World Bank minimum requirements.

2. The Project will be implemented in a high risk environment. Appropriate mitigation measures have been incorporated into the design of the financial management arrangements which will reduce the residual risks of the Project to substantial.

3. The risks identified include weak capacity; and as a newly established department, D/ICO needs to develop the structure and related arrangements of the financial management. D/ICO agreed to establish the FM Unit within the TF secretariat; recruit a FM advisor to provide technical support to the Unit and build staff capacity. D/ICO will also follow the Financial Management Manual (FMM) issued by the Ministry of Economy and Finance (MEF) relating to Overseas Development Aid (ODA) Projects as a framework and will review and use this document as a basis to produce the supplementary FMM to meet the specific needs of the Project.

B. Country Issues

4. **Public Financial Management Reform Program.** The Royal Government of Cambodia (RGC) has been implementing a comprehensive Public Financial Management Reform Program (PFMRP) with the full support of the Donor community, including the Bank. The program aims at strengthening governance through enhanced public financial management for effective service delivery. It is a detailed, prioritized and sequenced action plan for public financial management reform. The program adopts a platform approach which systematically assesses progress at each stage of implementation before moving to the next step. The PFMRP arose from earlier diagnostic work of the Bank³ and others which concluded that the overall fiduciary risk in Cambodia was high due to weak capacity, weak financial management practices, weak control environment, weaknesses in the National Treasury (NT) operations (especially in the area of cash management), inadequacies in the public sector accounting system, weak internal and external

³ Including the 2003 CFAA

auditing capacity and failure to integrate ODA within the national budget and accounting systems.

5. Platform I focused on improving budget credibility through: (i) improved government revenue policy, forecasting and administration; (ii) improved budget formulation and comprehensiveness; (iii) improvements in existing centralized budget execution systems; and (iv) improving cash and bank account management. In addition, a number of preparatory activities (i.e. legislative enhancement, Chart of Accounts, Financial Management Information System (FMIS) specification, program budgeting pilot for later platforms) were implemented. The reforms under Platform I have been a significant factor in: (i) achieving revenues in excess of budgeted amounts; (ii) significantly reducing payments made by cash; (iii) enacting legislation on budget and procurement; (iv) implementation of a GFS compliant budget; and (v) improved aggregate control of expenditure.

6. Platform II which became effective in fiscal year 2008, aims in overall terms at addressing a core of these issues through further progress on Platform 1, and achievement of the Platform 2 objective of improved financial accountability. It is divided into three parts. Part 1 deals with activities to be strengthened in platform II, with part 2 concentrating on activities to be implemented in stage 2 and part 3 activities aiming at preparation for works for later platforms that need to commence now. This encompasses: (i) improving lines of accountability to clarify roles, functions and responsibilities between various levels of government within spending institutions through updating and reviewing laws that specify roles for Public Financial Management (PFM) to improve accountability at National and Sub national levels; (ii) further implementation of the new budget classification and new chart of accounts; (iii) improved budget execution, accounting and financial management information systems; (iv) improved statutory financial reporting and transparency; (v) improved external and internal auditing and responsiveness to audit findings; (vi) implementation of a fiscal decentralization framework; and (vii) capacity development. Achievement of these objectives will result in progressively improving capacity at Line Ministry and Sub National Level. Stage 2 will also provide for further preparatory work towards improving comprehensiveness and integration of budget through integration of recurrent and capital budgets, strengthening of the program budgeting system and deepening of the on going Medium Term Expenditure Framework (MTEF).

7. A review of the PFMRP Platform I activities (2004 – 2007) undertaken by a panel of independent experts contracted by the World Bank in April 2007 concluded that whilst substantial progress had been made in a number of areas, the gains needed to be cemented with a concerted implementation effort. This has been built into the design of platform II. As noted, Platform II includes many activities to improve national accounting and FMIS systems. In the meantime, the barriers to integrate individual ODA Projects more fully into country systems remain high. Although significant improvements have been made in the macro PFM environment, these have yet to impact substantially at Ministry level. As such, the TDSP will be implemented using parallel systems.

C. Financial Management Capacity

8. *Staffing.* D/ICO will centrally manage the financial management of the Project, it currently has 19 staff most of whom are holding Bachelor degrees in accounting, management and economics and have an average of five years experience in trade related aspect but very little in financial management. At a preliminary stage, D/ICO had all of its staffs update their CVs and carried out a review during July 2008, so as to allow proper assignment to staff with appropriate skills, qualifications and experience. D/ICO then will set up a finance unit within the TF secretariat to handle the Project funds with at least three positions to start with: Chief of Finance, Accountant and Cashier; and develop their respective job descriptions accordingly. The finance unit will be supported by a Financial Advisor (FA) to be hired for the Project by effectiveness whose functions will include installation and ensuring functioning of the accounting system and controls, training, mentoring and oversight of the work done by them.

9. *Technical support during the interim period.* Management of Trade Facilitation and Competitiveness Project (TFCP), one of the Bank funded project implemented by MoC, has kindly agreed to extend its support by sharing their consultants to work with D/ICO until the FA is recruited. The FM Strengthening Plan has been developed and agreed during project appraisal and this plan includes:

- Structure for the FM unit;
- Job description for each appointed staff;
- ToR for FA;
- Training plan for the staff; and
- Timeline for completion and adoption of the supplementary FMM; creation of the chart of accounts; and identification & setting up of the appropriate accounting software for the Project.

Accounting Policies, Procedures and Information Systems

10. *FM System and Manual.* It is expected that D/ICO will use financial management system based on Financial Management Manual (FMM) for the Externally Financed Projects/Program in Cambodia, issued under the Sub Degree 14 in February 2007 to produce supplementary FMM to meet the specific needs of the Project. The first priority task of the FA is to complete the supplementary FMM to be adopted within the first month after effectiveness. D/ICO will set up the internal rule, stating the delegation of authority, approval level and process for payment transactions to be used during the period prior to completion and adoption of supplementary FMM.

11. *Accounting Software.* The D/ICO does not have a computerized accounting system or the manual systems in place yet. It is agreed that the appropriate software will be identified and chart of account will be developed specifically for the Project with technical assistance from TFPC consultant. The timeline for creation chart of account, installation of the software and training to staff is included in the FM strengthening plan as mentioned above.

12. *Accounting Policies.* D/ICO will apply cash based accounting policies as set out in overall government financial management policies, including the RGC's Standard Operating

Procedures and the FMM. The manual will be used for the Project with some customization as needed as annotated above.

13. *Segregation of Duties.* It is of critical importance to define clear roles and responsibilities for the team to run the financial management functions of the Project. The segregation should ensure that no single person can initiate, verify and authorize payments for a transaction. Job descriptions for the staff assigned to the Project will be subject to review by IDA to ascertain that segregation of duties is adequately built in.

14. *Budgeting.* The development of the Annual Work Plan (AoP) for use in the Project will need to be coordinated with the annual budget cycle of the RGC. The AoP and the annual budget of the Project will be approved by the TF Steering Committee with the consent from the TTL from the WB. The detailed steps/process and control in preparing and approval of the AoP and budget would be elaborated and included in the customized supplementary FMM. Actual expenditures will be compared to the budget every month, quarter and year and explanations will need to be obtained for significant variations from budget. Approvals for variations from budget shall be obtained in advance.

15. *Payments.* Payments in cash will be minimized; payment transactions that exceed US\$500 shall be made by bank transfer or check. The procedures and controls on payments will be described in details in the supplementary FMM.

Specific Risks

16. *Control of Soft Expenditures.* Soft expenditures are those related to training and workshops and these costs include: fuel, per diems, accommodation, travel/transportation costs, stationary and maintenance costs. In the past, soft expenditures controls have been inadequate in several Projects implemented in Cambodia. The supplementary FMM will provide details of how controls relating to soft expenditure should operate. The purpose is to ensure that all such expenses are properly authorized and that appropriate documentary evidence is available to support the expenditures.

17. *Contract Payments.* D/ICO has agreed to maintain a contract register in which payments will be recorded against each contract. This will mitigate against duplicate/overpayment and also provide additional controls in respect of retention monies (if any).

18. *Merit Based Performance Initiative (MBPI).* The Project will finance performance payments to Civil Servants under a MBPI scheme. Civil Servants will be paid through the RGC payroll and the Project will reimburse the performance payments on a sliding scale. This necessitates a separate disbursement category for these payments. Adoption of a manual, spelling out the procedures and how the system will work, including funds flow and FM requirement, acceptable to the WB, is a disbursement condition for MBPI category. A clear auditable record of all beneficiaries from the scheme and payments will be kept by MoC.

D. Funds Flow and Disbursements Arrangements

19. A separate Designated Account (DA) on terms and conditions satisfactory to IDA will be established and managed by D/ICO, with an initial advance equivalent to the estimated first six months' expenditures of the TDSP Grant share. The DA will be opened at the National Bank of Cambodia (NBC) and, once agreement is reached, will switch to a commercial bank using pass through mechanism. Such agreements will be made on acceptable processing standards in transferring funds to a designated commercial bank by the National Bank of Cambodia and at commercial bank level; such a bank should commit to provide reliable and timely bank statements, adhering to acceptable business standards, low and reasonable commissions and charges. The DA will be reconciled on a monthly basis. Procedures and controls of the DA would be provided in details in the supplementary FMM.

20. The DA will be used to make payments for eligible expenditure under agreed disbursement categories of the grant. Disbursement to central department of MoC and others relevant line ministries as specified in Table A7.2 of Annex 7 would be made in form of advance on an activity base (mainly to conduct the training & workshop); the advance shall be liquidated not later than 10 days after complete the activity; further advance will not be made unless the previous amount is cleared. The payments/disbursements to consultants/contractors/suppliers will be made directly by DI/CO upon the request and work certified by relevant line departments/ministries. The detailed procedures of the fund flow, payments and controls will be described in the supplementary FMM.

21. *Allocation of Grant Proceeds.* The grant proceeds will be disbursed against eligible expenditures as indicated in the Table below.

Category	Amount of Grant Funds Allocated (USD Equivalent)	Percentage of Expenditures to be financed
1. Works, Goods, Consultant Services, Training/Workshop, and Incremental Operating Costs	10,350,000	100%
2. MBPI – related payments	2,000,000	90% for fiscal year 1 85% for fiscal year 2 80% for fiscal year 3 75% for fiscal year 4
TOTAL	12,350,000	

22. *Disbursement Methods.* The Project will use the following disbursement methods:

- **Reimbursement.** IDA may reimburse the RGC for expenditures eligible for financing pursuant to the Financing Agreement (eligible expenditures) that the borrower has pre-financed from its own resources.
- **Advance.** IDA may advance loan proceeds into a Designated Account of the Project to finance eligible expenditures as they are incurred and for which supporting documents will be provided at a later date.
- **Direct Payment.** IDA may make payments at the recipient's request, directly to a third party e.g. supplier, contractor and consultant for eligible expenditures.

23. *Retroactive Financing.* Provision has been made for payments up to a cumulative limit of USD 100,000 carried out after September 15, 2008 for eligible expenditures under category (1) of the Grant.

24. *Disbursement Mechanism.* The Project shall use traditional method of disbursements through submission of statements of expenditures (SOEs) and summary sheets. Withdrawal applications reporting on eligible expenditures paid from the designated account will be submitted to the Loan Department (LOA) on a monthly basis with SOEs for: (i) goods costing less than USD100,000; (ii) works costing less than USD300,000; (iii) for services of individual consultant under contracts costing less than USD50,000 per contract; (iv) for services of consulting firms under contracts costing less than USD100,000 per contract; and (v) workshops, training, incremental operating costs and MBPI. The related documents shall be retained at the TF Secretariat/finance unit and will be made available for the required audits, as well as to IDA supervision missions upon request.

25. Withdrawal applications will be prepared by D/ICO and signed by MEF.

26. *Government Counterpart Funds.* Counterpart contribution is required only for MBPI. The disbursement of counterpart funds would be in accordance with the same principle and timetable as the grant.

27. *Reporting and Monitoring.* Quarterly IFRs prepared by the Project follow the cash based accounting policies. Such reports are prepared in timely fashion-thirty days after the end of the quarter and shall be furnished to IDA no later than forty five days after the end of the quarter. The IFRs should provide the linkage between the physical progress to the financial information. The reporting format was developed and agreed during project appraisal and include: 1) Discussion of Project Progress (explaining activities for the quarter compared with budget/work plan, any significant variations from budget and actions proposed to achieve budget targets), 2) Consolidated Statement of Receipts and Payments, 3) Summary of Payments by Disbursement Category/Component and source of funds, 4) Monitoring Output Report and 5) Procurement Monitoring Report.

E. Risk Analysis

28. The analysis below summarizes risks and mitigation measures proposed.

Table A8.1 Financial Risk Analysis

Risk	Risk Rating	Risk Mitigation measures incorporated into Project design	Risk after Mitigation
Country level Generally weak PFM environment with lack of controls, poor FM systems, and lack of accountability	High	The National Treasury weaknesses and the generic PFM inadequacies are being addressed through the PFMRP. The PFMRP has clear achievement indicators in reforming and addressing the weaknesses noted.	Substantial
Overall inherent risk	Substantial		
Control risk			
Budgeting Less comprehensive budget formulation and less than satisfactory execution	Substantial	Budgets will be prepared annually and reviewed bi-annually. Financial budgets will be linked to physical outputs through the AOP. The IFRs to be prepared will be used to monitor variance analysis with budget and physical progress.	Moderate
Funds Flow IDA and government funds.	Substantial	The funds from IDA will go into a designated account opened at NBC. Releases from government will flow direct into a separate account.	Moderate
Staffing Limited capacity and lack of experience in managing donor funds. This is the first operation of TF for D/ICO.	High	Project staff will be supported by FM advisor. A FM manual will be available to guide all staff. Training will be provided to the appointed finance staff.	Substantial
Accounting policy and procedures	Substantial	The FMM issued by the sub-degree 14 will be used to produce the supplementary FMM to fit with the specific need of the Project. A computerized accounting system will be identified and installed. Staff will be trained on FMM and application of the software.	Moderate
Expenditure Controls Lack of control on soft expenditures Inability to properly account for funds, advances (fuel and allowances).	Substantial	 The mechanism for controls on soft expenditures will be reinforced and described in the supplementary FMM. The Program shall maintain an advances register which will be reviewed by both internal and external auditors. Log books and fuel registers shall also be maintained by the Project, and reviewed during each mission.	Moderate

Table A8.1 Financial Risk Analysis

Risk	Risk Rating	Risk Mitigation measures incorporated into Project design	Risk after Mitigation
<p>Expenditure Controls</p> <p>Minimize cash transaction</p> <p>Inconsistency in allowances paid to Government staff attending training, workshops and study tours</p>	Substantial	<p>All payments to contractors and other parties exceeding US\$500 shall be made by check.</p> <p>MEF's Decision Letter No. 2000 dated April 23, 2007 on standard DSA rates will be adopted for in-country travel. For international travel some of the DSA rates specified in Anukret 10 of April 12, 2004 are position-based and/or higher than UN norms and are not acceptable to IDA for application on IDA-financed projects. Until the agreement on oversea rates is reached, for international travel undertaken by IAs, the IDA rates may be used. Auditors should monitor compliance with such agreements during their annual audit.</p>	Moderate
<p>Internal Audit Weak capacity</p>	High	<p>An Internal Audit Advisor will be recruited three months after effectiveness to help in strengthening the IA capacity. Staff of the MoC Internal Audit Unit will be trained on enhanced internal controls and how to apply such techniques to the Project. The Unit's work plan will cover the Project review of internal controls at various levels of implementation. Internal audit shall produce reports to the TFSC responsible for oversight the Project and the Bank on a semi-annually basis. Status of actions taken will be described in the IFRs.</p>	Substantial
<p>External Audit</p>	Moderate	<p>Independent auditors will be engaged to conduct the audit of the project annual financial statements under the ToR acceptable to IDA. The audit firm shall be appointed three months after effectiveness.</p>	Moderate
<p>Reporting and Monitoring</p> <p>Late and inaccurate</p>	Substantial	<p>The accounting system will be identified and installed and capable to link between financial and physical progress reports. The reports will be system generated after inputting all the requisite inputs. Staff will be trained on how to use the system.</p>	Moderate
<p>MBPI</p> <p>Eligibility and sustainability. The MBPI needs to document the basis on which performance payments have been made.</p>	High	<p>Government will establish a policy on the subject and ensure that adequate funds are made available. In addition, all payments to be made through the Project shall be charged to a separate code and requisite documentation maintained to ensure adequate audit trail. All of these shall be described in the MBPI Manual.</p>	Substantial
<p>Overall control risk</p>			Substantial
<p>Overall Project Risk Rating</p>	Substantial		

F. Strengthening the Control Environment

29. *Internal Audit.* The Internal Audit Department (IAD) of Ministry of Commerce was established in late 2007. Currently, IAD has eight staff with a diverse background but all with limited financial and internal audit experience. The number of head count is expected to increase to twelve by mid of this year adding four more fresh graduates. It has been agreed that resources under the Project will be made available to strengthen the Internal Audit of the Ministry. The support should be in the form of technical assistance by appointing an Internal Audit Advisor under the Project to assist the IAD in formulating its strategic plan; a risk based annual plan and provide on the job-training to build the capacity of the internal audit staffs. This Department will review internal control systems and make recommendations on how to strengthen them, including those related to the Project. The status of internal audit recommendation shall be provided in the separate section of quarterly IFRs to the Bank and MEF.

30. *Oversight Mechanism:* The effectiveness of Internal Audit is compromised unless there is clear reporting and follow up. Effective action arising from internal audit reports is one key area being addressed by the PFMRP. It is anticipated that the internal audit unit of MoC will benefit from such reform. However, for purposes of the TDSP, all issues in internal audit reports will be tabled at the TF Steering Committee meetings where action plans to remedy audit findings will be discussed with affected units for timely implementation of recommendations.

31. *External Audit:* It has been agreed that an auditor acceptable to the IDA will be contracted to audit the Project annual financial statements in accordance with International Standards on Auditing based on TOR acceptable to IDA. The financial statements will be prepared in accordance with the cash based accounting policies that reflect receipts, payments (by disbursement categories) and fund balance for current reporting period, the cumulative period from the project commencement date, compared with the budget. IDA may require reviewing working papers of the auditor's for satisfaction where necessary. The financial audit of the project is included in the three year scope of audit bundling. The cost of the audit will be financed from Grant proceeds.

32. The audited financial statements and audit reports will be submitted to IDA and MEF within six months after the end of each fiscal year. In addition, a management letter outlining any internal control weaknesses of the implementing agency will also be issued by the external auditor together with the audit reports. The status of external audit recommendation shall be provided in the separate section of quarterly IFRs to the Bank and MEF.

Supervision Plan

33. *Financial Management Supervision.* As the Financial Management risk is assessed as substantial, supervision of Project financial management will be undertaken a minimum of two visits a year with additional monitoring planned quarterly. The supervision will review the Project's financial management systems and capacity in accordance with the FMM, including but not limited to the operation of designated account, evaluating quality of budgets, Project financial management reports, assessing relevance of FMM, statements of expenditures, internal controls, reporting and follow up of audit and mission findings. Special attention to review of soft expenditures to check whether they are spent on authentic activities will also be undertaken.

G. Financial Management Action Plan

No.	Action	By Who	By When
1	Develop internal rule, stating delegation of authority, approval level and process related to payment.	D/ICO	December 31, 2008
2	Appoint FM advisor	D/ICO	Effectiveness
3	Complete and adopt the supplementary FMM	D/ICO (with technical assistance from the FM advisor)	One month after effectiveness
4	<ul style="list-style-type: none"> <li data-bbox="285 642 805 705">▪ Install the accounting software and train staff/users <li data-bbox="285 785 805 812">▪ Train staff on FMM 	D/ICO FM advisor (with support from software provider) D/ICO (with support from the FM advisor)	One month after effectiveness
5	Appoint the internal audit advisor	D/ICO	At the latest 6 months after effectiveness

Annex 9: Procurement Arrangements
CAMBODIA: Trade Development Support Program

A. General

1. Procurement for the Trade Development Support Program (TDSP) will be carried out in accordance with the World Bank's *"Guidelines: Procurement Under IBRD Loans and IDA Credits"* dated May 2004, revised October 2006 and *"Guidelines: Selection and Employment of Consultants by World Bank Borrowers"* dated May 2004, revised October 2006. The general description of various items under different expenditure categories is given below. For each contract to be financed by the Grant, the procurement methods or consultant selection methods, the need for prequalification or post-qualification, estimated cost, prior review requirements and time frame have been agreed between the Recipient and the International Development Agency (IDA) in the Procurement Plan. The Procurement Plan will be updated annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

2. **Procurement of Goods:** Goods procured under this project would primarily include: vehicles, printed materials, office furniture and office equipment. Goods estimated to cost the equivalent of US\$100,000 or more per contract shall be procured through the International Competitive Bidding (ICB) method; and the procedures set forth in the Bank's Procurement Guidelines and using the Bank's applicable Standard Bidding Documents (SBD). Goods estimated to cost less than US\$100,000 equivalent per contract may be procured through the National Competitive Bidding (NCB) method and the procedures set forth in the *Sub-Decree 14 on Promulgating of the Standard Procedure for Implementing the World Bank and the Asian Development Bank Assisted Projects* dated February 26, 2007 and relevant provisions of the *Royal Government of Cambodia Externally Assisted Project Procurement Manual for Goods, Works and Services*, subject to the improvements listed in the Annex to the Grant Agreement (GA). Goods estimated to cost less than US\$20,000 equivalent per contract may be procured through the Shopping method and the procedures set forth in the aforesaid Sub-Decree and Procurement Manual.

3. **Procurement of Works:** There would be no major works financed through this Project, with the exception of small scale repairs and modification to existing structures to promote office efficiency. Works estimated to cost the equivalent of US\$300,000 or more per contract shall be procured through the International Competitive Bidding (ICB) method and the procedures set forth in the Bank's Procurement Guidelines and using the Bank's applicable Standard Bidding Documents. Works estimated to cost less than US\$300,000 equivalent per contract may be procured through the National Competitive Bidding (NCB) method and the procedures set forth in the aforesaid Sub-Decree and Procurement Manual, and subject to the improvements listed in the Annex to the GA. Works estimated to cost less than US\$40,000 equivalent per contract may be procured through the Shopping method and the procedures set forth in the aforesaid Sub-Decree and Procurement Manual.

4. **Selection of Consultants:** Consultant services financed through this Project are expected in the following areas: design a more effective fee structure, program management, work plan

development, and REACH Training etc. Services requiring hiring of firms would generally be procured through Quality-and Cost-based Selection (QCBS) method. However, for assignments estimated to cost less than US\$50,000 equivalent per contract the method Selection Based on Consultants' Qualifications (CQS) may be used, and for external audit assignments the Least Cost Selection Method may be used. Services for tasks under circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines may, with the Bank's prior agreement, be procured through the Single Source Selection method. REACH Training, on a newly legislated European Union regulation on chemicals and its use, will be provided by UNIDO who is uniquely qualified to deliver the training on a very specific and time sensitive topic through Single Source Selection method. Services requiring hiring of individual consultants may be procured in accordance with the provisions of Section V of the Consultant Guidelines, whereas Sole Source Selection of individual consultants may be done only with the Bank's prior agreement and under the circumstances described in paragraph 5.4 of the Consultant Guidelines. Shortlists of consultants for consulting services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants.

B. Assessment of the agency's capacity to implement procurement

5. An assessment of the procurement capacity of the Implementing Agency (IA) was carried out by IDA in May 2008. The assessment reviewed the organizational structure for implementing the project and the interaction between the project staff responsible for procurement coordination and the MoC's budget or financial department and its human resource department.

6. The RGC has delegated the MoC as the Implementing Agency (IA); and the Senior Minister of the MoC has delegated daily operational responsibility for the Project to the Director of the Department of International Cooperation (D/ICO). The TDSP Secretariat located in the D/ICO would assist the Director of D/ICO as the Secretary of the TDSP Implementation Committee (IC) in managing the daily operations of the TDSP including the procurement of necessary Works, Goods, and Services.

7. The key issues and risks concerning capacity of D/ICO to carry out procurement under the project are: limited experience of the D/ICO staff in the Bank's procurement procedures, as it is not assured that the same staff who was involved with implementing earlier Bank-financed projects (TFCP Project) under MoC would be assigned to TDSP Program.

8. There is also a substantial fiduciary risk associated with the overall weak governance environment in Cambodia which impacts procurement. Specific issues are the general risk of collusion during the bidding process, biased bid evaluations, and supplier/contractor offering informal payments as incentives for favorable treatment. Three IDA-financed projects were suspended and misprocurement declared in 2006 after allegations of corruption led to investigations in Cambodia by the World Bank Department of Institutional Integrity.

9. Unless otherwise agreed, the Recipient shall use the services of the International Procurement Agent (IPA) for all procurement financed wholly or partially by TDSP to be undertaken under the program, except for procurement through the methods of direct contracting, procurement from UN agencies, single source for consulting firm, selection of individual

consultants (regardless of value), hiring of NGOs, procurement of goods estimated to cost less than \$50,000 per contract, and procurement of works estimated to cost less than \$100,000 per contract. Procurement financed by sources other than TDSP, including by RGC, will not be undertaken through the IPA but by the Implementing Agency itself. The contracts to be procured by the IA are either of small value or non-competitive in nature which makes them infeasible to be procured by the IPA. The IA's capacity to procure these contracts will be strengthened through the hiring of an international and a national procurement consultant.

10. The IPA will carry out the procurement process for works, goods, and consulting services, from preparation of bidding documents up to the stage ready for the signing of contract. The IA will provide the required technical inputs to the IPA. Given the concerns on the IA's capacity noted above and to enable the IA to satisfactorily carry out some procurement under the Program on its own, capacity strengthening measures, including the engagement of an international procurement consultant for a period of 6 months to put in place effective procurement systems within MoC and capacity building of project staff, and also a Procurement Coordinator (national procurement consultant if a qualified government staff is not available) for the first 18 months of the Project, have been agreed and budgeted. The procurement consultants' TORs will also include transfer of knowledge/training of government staff as a key element. It has also been agreed that the Procurement Coordinator will serve as focal point for and to follow-up on procurement activities between the IA, participating line agencies, IPA, Ministry of Economy and Finance (MEF), and IDA.

11. It has been agreed that the TDSP would support capacity building efforts to strengthen the ministry's procurement capacity. These capacity building efforts will be coordinated with the Government-wide Public Finance Management Reform Program (PFM RP).

12. At the time of assessment, the capacity risk under the project and the overall fiduciary risk related to procurement are **high**. However, these will be mitigated through the wide range of strengthening measures that are being incorporated in the Project design and legal agreements. With the incorporation of the capacity strengthening measures and the extensive requirements for improving governance, including transparency and accountability in the procurement process, as listed in Section F and detailed in the Good Governance Framework (GGF) provided in Annex 13, the residual procurement risk under the Project is determined to be **substantial**.

C. Procurement Plan

13. The IA has developed a procurement plan for the first 18 months of project implementation. This plan, which forms the basis for the procurement methods, has been agreed between the Recipient and IDA and will be available at the D/ICO of MoC. It will also be available in the project's database, the MOC website, and in the World Bank's external website. The Procurement Plan will be updated in agreement with the project team at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The procurement plan for the first 18 months of project implementation is included in the following section of this Annex.

D. Frequency of Procurement Supervision

14. In addition to the prior review supervision to be carried out by IDA, the capacity assessment of the Implementing Agency recommends that procurement supervision missions, including ex-post review, be conducted bi-annually. Furthermore, procurement and financial management staff are expected to conduct joint ex-post procurement reviews and Statement of Expenditure reviews in order to broaden the perspective, including checking for compliance with agreed procedures, capacity issues, adequacy of documentation and record keeping arrangements, indicators of collusion, and verification of deliverables and end-usage.

E. IDA Review Requirement

15. The following contracts will be subject to prior review by IDA: (i) the first contract in each year for goods and works procured under NCB procedures; (ii) each contract for goods estimated to cost the equivalent of US\$100,000 or more; (iii) each contract for works estimated to cost the equivalent of US\$300,000 or more, (iv) each contract for goods and works procured under Direct Contracting procedures; (v) each contract for consultants' services provided by a firm estimated to cost the equivalent of US\$100,000 or more, (vi) each contract for the employment of individual consultants estimated to cost the equivalent of US\$50,000 or more, (vii) each contract involving Single-Source Selection of firms or Sole-Source Selection of individual consultants, irrespective of value, and (viii) the contract for external financial audit provided by a firm procured through Least Cost Selection, irrespective of value. All other contracts shall be subject to ex-post review by IDA. The percentage to apply for contracts subject to ex-post review is 30 percent.

F. Agreed Actions to mitigate the procurement risk that are included in the Good Governance Framework

16. The GGF, which is essentially an anti-corruption action plan, will be adopted and has been agreed by D/ICO of MoC and other agencies which have activities financed by the TDSP (See Annex 13). The GGF includes various elements for improving transparency and accountability through strengthened procurement arrangements, strengthened financial management, enhanced public disclosure, involvement of civil society, a complaints mechanism, a code of ethnic conduct, sanctions, and by addressing project-specific implementation risks. Guidance on implementing good governance measures and monitoring of progress is expected to be provided by the Royal Government of Cambodia (RGC) Anti-Corruption Working Group for World Bank financed projects, in addition to IDA's own monitoring and follow-up.

Capacity-related Strengthening Measures:

- (i) The IPA will carry out, on behalf of the IA, all the procurement under the TDSP, with the exception of procurement through the methods of direct contracting, procurement from UN agencies, Single-Source Selection of firms, selection of individual consultants (regardless of value), hiring of NGOs, procurement of goods estimated to cost less than \$50,000 per contract, and procurement of works estimated to cost less than \$100,000 per contract.

- (ii) A Procurement Coordinator engaged by IA will serve as the focal point for coordination and follow-up of procurement activities between the IA, line agencies which have activities financed by the TDSP, IPA, MEF, and the Bank. The Procurement Coordinator is expected to be a national procurement consultant, unless a qualified government staff is available. In addition, an international procurement consultant will be engaged by the IA for a period of six months to put in place effective procurement systems within MoC and capacity building of government staff.

Governance-related Strengthening Measures:

- (i) As mentioned above, the IPA will carry out all the procurement under the TDSP Program with a few agreed exceptions, and this is also expected to mitigate governance risks in the procurement process. The IPA's terms of reference in particular remove any involvement of the government in the bid evaluation process.
- (ii) The RGC Standard Operating Procedures and Procurement Manual for Externally Assisted Programs/Project Goods, including Standard Bidding Documents, Sub-Decree 14 dated February 2007, will be used for application of NCB and Shopping. The Procurement Manual, which has been endorsed by IDA and ADB for use under project's in which they are financiers, includes numerous procedural requirements for further enhancing transparency and accountability in NCB and Shopping. These include requirements for wider publicity of bidding opportunities and procurement plans, enhanced disclosure of contract award information, provisions against fraud and corruption, procurement complaints handling mechanism, code of ethics certifications from bidders, contractors, and bid evaluation committee members, involvement of civil society in the procurement process, clear record keeping requirements, defined roles and responsibilities of government staff involved with procurement, streamlined approval process, etc. In addition, the NCB Annex in the Grant Agreement will list the Bank's further requirements for procedural improvement and control.
- (iii) Low value thresholds, as set out in the Procurement Manual, are stipulated to minimize the use of less competitive methods, such as Shopping, and to promote maximum competition through ICB and NCB.
- (iv) Expanded scope of post-reviews by the Bank to include checks for indicators of collusion and end-use deliveries in addition to verifying procedural compliance;
- (v) IDA will carry out at least two supervision mission and two monitoring missions per year, including ex-post reviews.

G. Details of the Procurement Arrangements Involving International Competition During the First 18 Months for the Implementation of the Project

1. Goods, Works, and Non Consulting Services

(a) List of contract packages to be procured following ICB and direct contracting:

1	2	3	4	5	6	7	8	9
Ref. No.	Contract (Description)	Estimated Cost	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior / Post)	Expected Contract Signing Date	Comments
1	Accounting Software for DICO	7,000	DC	NA	NO	Prior	Jan. 09	Procuring Agency Name DICO/MoC
2	Office Equipment (separate lots of computers, Printers, Photocopiers, Telephones, etc.) for Directorate of CamControl (\$50,000) and Dept., of Industrial Standard of Cambodia (\$50,000), and DICO (53,424)	153,424	ICB	NA	Yes	Prior	May 09	Procuring Agency Name DICO/MoC through IPA

(b) All ICB contracts and all direct contracting contracts (if any) will be subject to prior review by the Bank.

2. Consulting Services

(a) List of consulting assignments with short-list of international firms and SSS

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Contract Signing Date	Comments
1.2a	Prepare Standard and Guideline Documents for Cambodia and Standard Training and Awareness Program (Dept. of Industrial Standard of Cambodia-MIME)	150,000	QCBS	Prior	Oct-09	
1.3a	REACH Training (a newly legislated European Union	50,000	SSS	Prior	Jan-09	UNIDO is uniquely qualified to deliver the training on a very specific

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Contract Signing Date	Comments
	regulation on chemicals and its use)					and time-sensitive topic.
1.1. b	Technical assistance to roll out risk management strategy across ministries (starting with CamControl)	300,000	QCBS	Prior	Jun-09	
3.1	Identify key strategic functions of MOC and Design MBPI for MOC Department and other relevant ministries	100,000	QCBS	Prior	June 09	
3.2	ICA for trade related agencies and support training to basic functions 1- Engage stakeholders on capacity development 2- Assess capacity assets and needs 3- Formulate a capacity development response 4- Implement a capacity development response 5- Evaluate capacity development	121,000	QCBS	Prior	Jun-09	

(a) Consultancy services estimated to cost the equivalent of \$100,000 or more per contract for firms and the equivalent of \$50,000 or more per contract for individuals, all Single Source Selection of Firms and Sole Source Selection of Individual Consultants, and the contract for external financial audit provided by a firm procured through Least Cost Selection will be subject to prior review by the Bank.

(b) **Short lists composed entirely of national consultants:** short lists of consultants for services estimated to cost less than \$100,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

National Competitive Bidding Procedures

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

1. Eligibility

The eligibility of bidders shall be as defined under Section I of the Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall not be asked or required to form joint ventures with national bidders in order to submit a bid. Bidders located in the same province or city as the procuring entity shall not be given preference over bidders located outside that city or province.

2. Qualification Criteria

The assessment of the qualification of a bidder shall be conducted separately from the technical and commercial evaluation of the bid and in strict adherence to the qualification criteria that shall be clearly specified in the bidding documents. Such assessment shall only take into account a bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity.

3. Bid Submission, Bid Opening and Bid Evaluation

- (a) The evaluation of a bid shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.
- (b) No bidder shall be rejected on the basis of a comparison with the Recipient's estimate and budget ceiling without the Association's prior concurrence.
- (c) A copy of the minutes of the public bid opening shall be promptly provided to all bidders and to the Association with respect to contracts subject to prior review.
- (d) Neither shall all bids be rejected nor shall new bids invited without the Association's prior written concurrence.

4. Complaints by Bidders and Handling of Complaints

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

5. Fraud and Corruption

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

coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.

6. Right to Inspect/Audit

Each bidding document and contract financed from the proceeds of the Financing shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by a bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

Annex 10: Economic and Financial Analysis
CAMBODIA: Trade Development Support Program

1. The benefits of the Trade Development Support Program would be enjoyed by a diverse population of beneficiaries, each of which would be associated with trade and trade development. Individual benefits would progressively accumulate, to achieve an overall improvement in the level of investment and activity of trade, leading transparency, competition, compliance with world market standards supporting private-led growth in Cambodia. This will eventually make a positive contribution to export diversification, employment, and poverty reduction. A summary of these benefits follow:

Outcome/Result	Benefit	First-in-line Beneficiary
The objective of the TDSP is to increase RGC's efficiency in formulating and implementing effective trade policies	Increased willingness to invest in export oriented businesses Increased cost-effectiveness of all trade-related assistance	Investors; market developers contributing to RGCs private sector led growth and poverty reduction strategy RGC and DPs
Sustained progress in trade policy formulation and implementation in the areas of SPS and TBT	Improved consistency and level of quality in RGC agricultural and consumer related goods; improved "branding" of RGC exports; improved market penetration in consumer countries	Exporters and investors in agricultural and consumer sensitive products; work force in these industries; oversees importers
Sustained progress in trade policy formulation and implementation in the area of trade facilitation ("12 Point Action Plan" and its successors)	Reduced days required for export and import clearances	All traders and trade-related investors
Sustained progress in trade policy formulation and implementation in the area of legal reform and other WTO obligations	Improvement in trade relationships with trading partner countries and market penetration; reduced administrative cost burden in RGC Increased acceptance of the "RGC Marque" in international trade	
Increased transparency and user feedback mechanisms on trade-related processes	Reduced cost, administrative burden, rent seeking and time-loss for exporters and importers. Increased compliance More informed policy-making processes	Exporters and investors in trade product development; increasing RGC revenue through customs management
Increased efficiency and effectiveness of functions performed in critical Trade SWAp agencies	Reduced handling and clearance time for exporters; lower transaction costs for trade management More effective administration	Exporters and importers; RGC administrative costs

2. The full program of activities to be supported by the TDSP has not been determined, and it is difficult to establish the economic and financial returns to each of them. The TDSP has been designed as a framework project, not a "blueprint project". The process for selecting these activities would, however, be made following specific activity appraisals (to be specified as part of the TDSP Implementation Arrangements Annex 7; and elaborated in the TDSP Operations Manual). These appraisals would cover, for example, the coherence of the activity with the overall direction of the Trade SWAp, individual economic viability, and implementability. Through this evaluation, it would be assured that they contributed positively to economic growth and returns for investors, traders and the RGC. In addition, activities included in annual work

plans would include analyses of their financial soundness covering *inter alia* (a) the incremental taxes and reduction in subsidies that could result from the activity; (b) the increase in recurrent costs resulting from the project and the prospects for financing this increase; (c) the government's current fiscal situation; and (d) the overall level of recurrent costs required to operate the sector adequately and the volume of financing provided by the Government in the recent past. The sustainability of such actions would be reported on as part of the analysis of results.

3. However, the TDSP would have a macro economic and financial impact, similar to the impact of the ongoing IDA Trade Development and Competitiveness Project. Each of the results of activities financed through the TDSP would also tend to (i) support overall economic growth; (ii) maintain or increase the contribution of trade to GDP, business income and eventually personal income; and (iii) reduce rent taking and increase officially authorized customs revenue collections that formed the basis of the evaluations made for the TFCP.

4. However, and conservatively, the actual economic and financial analysis of the TFCP were based on only one expected benefit to traders and exporters of facilitation activities; that is a reduction in time required to clear exports. Other benefits (new investment, export diversification, and others) were not quantified. Moreover, the economic analysis of the TFCP recognized that any individual project such as it could account for only a modest share of the benefit (the TFCP credited itself with contributing 20% to any future benefit of trade facilitation). Under the assumption that TFCP activities could reduce time delays in clearing exports by about 50% over 3-4 years, and accounting for private investment costs, user fees, import volume and gradual introduction of time savings, an economic rate of return in excess of 200% was projected for a project cost of US\$10 million. Similarly, assuming a positive impact on official revenues because it changes the incentives facing traders and public officials in favor of compliance with agreed tariff schedules and attributing only 25% of benefits to the activities of the TFCP, the financial rate of return was estimated to be about 144% for a project cost of US\$10 million.

5. It is likely that the aggregated impact of the TDSP would be of the same order of magnitude. It is also unlikely that an incremental public investment of US\$12 million (the anticipated investment through the TDSP) would substantially reduce these rates of return.

Annex 11: Safeguard Policy Issues
CAMBODIA: Trade Development Support Program

The Cambodia Trade Development Support Program (TDSP) is categorized as “C” of which all activities financed under the program are not expected to have any significant adverse environmental and/or social safeguard impacts. A summary of decisions on safeguards policies is as the followings:

Environmental Assessment (OP/BP 4.01): Though contribution of trade to economic development can be linked to environmental implications positively or negatively depending upon nature of the trade bilateral agreement and policy, the project will not finance any activities which may causes adverse environmental impacts, but rather capture long-term environment friendly development. Giving the scope of the project, formal environmental assessment may not be required.

Natural Habitats (OP/BP 4.04): The project will not involve any activities which may cause degradation of natural habitats as defined under the safeguard policy. The project will capture the positive opportunities and avoid adverse impacts to natural habitats which may result from the project outcomes.

Forests (OP/BP 4.36): The project will not finance activities that involve significant conversion or degradation of critical forest areas as defined under the safeguards policy.

Pest Management (OP 4.09): The project will not procure any pesticides nor will it results in an increase use of pesticides.

Physical Cultural Resources (OP/BP 4.11): The project will not involve or affect sites of having cultural, historical, or religions resources.

Indigenous Peoples (OP/BP 4.10): The project will maximize conducive trade policies to contribute to overall economic development and benefit to all including any known minority and/or indigenous communities in the country.

Involuntary Resettlement (OP/BP 4.12): The project will not involve or relate to any resettlement.

Safety of Dams (OP/BP 4.37): The project will not involve or relate to any dam.

Projects on International Waterways (OP/BP 7.50): The project will not involve or relate to international waterways.

Projects in Disputed Areas (OP/BP 7.60): The project will not be located in any known disputed areas.

Public Disclosure (BP 17.50): The Integrated Safeguards Data Sheet will be publicly disclosed.

Annex 12: Project Preparation and Supervision
CAMBODIA: Trade Development Support Program

A timeline showing the dates (mm/yy) and/or (dd/mm/yy) of:

	Planned	Actual
PCN review	11/2007	11/2007; rev 5/2008
Initial PID to PIC	05/2008	06/2008
Initial ISDS to PIC	05/2008	06/2008
Appraisal	10/2008	10/2008
Negotiations	12/2008	12/2008
Board/RVP approval	12/2008	
Planned date of effectiveness	01/15/2009	
Planned date of mid-term review	01/2011	
Planned closing date	03/31/2012	

Key institutions responsible for preparation of the project: D/ICO, Ministry of Commerce

WB staff/consultants and Development Partners who contributed to project preparation:

Name	Title	Unit
<u>World Bank</u>		
Mr. Stephane Guimbert	Task Team Leader	EASPR
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Mr. Roch Levesque	Senior Counsel	LEGES
Mr. Ahsan Ali	Senior Procurement Specialist	EAPCO
Mr. Donald Mphande	Senior Financial Management Spec	EAPCO
Mr. Gerard McLinden	Senior Trade Facilitation Specialist	PRMTR
Mr. Ramesh Siva	Senior IT Specialist	ISGIF
Ms. Christine Wong	Operations Analyst	EASPR
Ms. Kunthary de Gaiffier	Operations Analyst	EAPCO
Mr. Bunlong Leng	Environmental Specialist	EACSF
Ms. Oithip Mongkolsawat	Senior Procurement Specialist	EAPCO
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Ms. Seida Heng	Financial Management Specialist	EAPCO
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<u>Danida</u>		
Mr. Tom Hansen		
Mr. Virak Din		
<u>European Commission</u>		
Mr. Seth Van Doorn		
Mr. Fabio Artuso		
<u>UNIDO</u>		
Ms. Ayumi Fujino		

Annex 13: Good Governance Framework
CAMBODIA: Trade Development Support Program

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring⁴
1	Element 1: Procurement			
1a	Ensure transparent and efficient procurement	<p>Unless otherwise agreed to between the RGC and the WB, the RGC shall use the services of an IPA engaged by MEF under TOR satisfactory to WB for all procurement funded from the TF, except procurement:</p> <p>(i) through direct contracting;</p> <p>(ii) from UN agencies;</p> <p>(iii) of goods estimated to cost less than US\$50,000 per contract,</p> <p>(iv) of works estimated to cost less than US\$100,000 per contract,</p> <p>(v) of consulting firms by Single Source Selection;</p> <p>(vi) of NGOs as consultants, and</p> <p>(vii) of individual consultants by Sole Source Selection.</p> <p>Procurement of contracts under items (i) to (vii) may be undertaken by MoC.</p> <p>For procurement undertaken by the IPA, MoC shall arrange for technical specifications and TORs to be prepared (see item 1b) and handed over to the IPA, which shall prepare bidding documents, call and evaluate bids, notify award, and have the contract agreement ready for review and signature by MoC.</p>	<p>IPA has commenced work.</p> <p>MoC</p>	<p>To be incorporated in Grant Agreement. Supervision of IPA by the RGC's Inter-Ministerial Procurement Committee (IPC). WB to monitor through quarterly portfolio review meetings, biannual procurement supervision missions and procurement prior and post reviews.</p> <p>WB to monitor through supervision missions and prior and post reviews.</p>
1b	Strengthen the design, delivery and contract administration capability of MoC.	MoC to engage consultants to assist on design, delivery and contract administration and train staff in the Department for International Cooperation of MoC	MoC to prepare TOR with WB NOL.	Agree TOR during appraisal. IPA to start recruitment immediately thereafter, with consultants in place

⁴ Unless an alternative target is given in this column, all mitigation measures will commence when Program activities begin and continue throughout the Program.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ⁴
		and sub-national level staff. Training will include strengthening of MoC/DIC fiduciary responsibilities.		not later than one month after effectiveness. MoC to monitor their work and evaluate their performance every six months. WB to verify during supervision missions.
1c	Insufficient procurement capacity of MoC	<p>MoC to designate at least one Procurement Coordinator (national procurement consultant unless a qualified government staff is available) with WB procurement experience to coordinate and follow-up procurement activities between MoC, line agencies which have activities financed by the Program, the IPA, MEF and WB. In addition, an international procurement consultant will be engaged for 6 months to put in place effective procurement systems within MoC and capacity building of Government staff.</p> <p>Further training to strengthen procurement capacity of MoC staff to be supported under the Program and coordinated with the government's Public Finance Management Reform Program.</p>	<p>MoC. Consultants' TORs to be subject to WB NOL.</p> <p>MoC/MEF to coordinate procurement training under the Public Finance Management Reform Program. Training program to be agreed among MoC, MEF and WB.</p>	Consultant(s) to be in place within 2 months after Effectiveness. MoC to monitor performance with six monthly reporting. WB to verify during supervision missions.
1d	Clear procedures and thresholds needed.	IPA to be instructed to follow WB's Procurement and Consultant Guidelines and the procurement provisions of the Grant Agreement, including the use under NCB and Shopping methods the RGC's Manual on Standard Operating Procedures for Implementing Externally Assisted Projects (SOP) including the Externally Assisted Procurement Manual for Goods, Works and Services (SOP/PM), mandated by Sub-Decree No. 14 on dated February 26, 2007.	MEF – included in IPA's TOR.	Supervision of IPA by the IPC. WB to monitor through supervision missions and quarterly review meetings among MEF, IPA and WB.
1e	Informal payments by contractors suppliers and consultants	All contractors, suppliers and consultants – firms or individuals, national and international – bidding for contracts under the Program shall sign the Declaration on Ethical Conduct and Fraud and Corruption as articulated in the SOP/PM. Item 5 of the Declaration will be extended to read:	IPA through MEF instruction.	MoC to monitor. WB to verify during prior and bi-annual post reviews.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ⁴
		<p>“In connection with this procurement exercise and any contract that is awarded to us as a result thereof, no payments have been made or will be made by us, our associates, agents, shareholders, partners or their relatives or associates to any of the staff, associates, consultants, employees or relatives of such who are involved with the procurement process, contract implementation, and the issuance of progress payments on behalf of the purchaser, client or employer.”</p> <p>Include amended Declaration in all bidding documents, RFPs, and contracts.</p>		
1f	Inadequate or delayed Procurement Plans	Preparation of realistic annual Procurement Plan for goods, works and consultant services to be financed from the TF designated account, based on the AOP.	MoC with IPA support and WB NOL.	First 18-month Procurement Plan to be agreed at Appraisal. MoC to submit annual revisions, with preliminary estimates of expenditure to MEF annually in June (for MEF budget preparation), preliminary updated plan by September, and final updated plan by December.
2	Element 2: Financial Management			
2a	Weakness in MoC FM capacity.	A Financial Advisor will be appointed under TOR acceptable to the WB, to assist MoC to implement the Program and train MoC FM staff. Functions of the Financial Advisor will include installation and ensuring functioning of the accounting system and controls, training, mentoring and oversight of MoC financial management staff.	<p>MoC to prepare TOR with WB NOL.</p> <p>IPA to recruit with WB NOL.</p>	Agree TOR during appraisal. IPA to commence recruitment immediately thereafter and Financial Advisor to be in place by effectiveness.
2b	Need to upgrade accounting systems in DIC/MoC.	DIC/MoC will install a computerized accounting system with appropriate software to be identified and a chart of accounts to be developed specifically for the Program, under guidance from the existing FM consultant on the MoC’s Trade Facilitation and Competitiveness Project (TFCP).	MoC to select and install appropriate software satisfactory to WB, with TFCP consultant’s guidance.	Select software during appraisal. Install and train DIC staff to operate by one month after effectiveness. MoC to monitor correct application and IDA to verify during FM supervision missions.
2c	Weak internal controls.	Adopt SOP/FMM already mandated by Sub-Decree	MoC. WB NOL to Program	Note in Grant Agreement, Program

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring⁴
		No. 14 dated February 26, 2007. Supplement by detailed procedures in a Program specific FM Manual, which shall include controls of ‘soft expenditures’ i.e, those related training and workshops such as: fuel, per diems, accommodation, travel/transportation, stationary and maintenance costs, until such time as MEF issues guidelines to all line agencies (see item 2i).	specific FM Manual.	FM Manual satisfactory to WB to be completed by effectiveness. MEF and WB to monitor adoption of SOP/FMM and WB FM supervision missions to verify compliance with Program specific FM Manual.
2d	Clarity of FM reporting to WB.	Formulate and agree on a template for quarterly Interim Financial Reports (IFRs), to be furnished by MoC to the WB not later than 30 days after the end of each quarter.	MoC with WB agreement to template.	Agree on the IFR format and content by appraisal. MoC to ensure timely and satisfactory quality of each report and timely submission. IDA to monitor during review of IFRs.
2e	Strengthen Internal Audit Department (IAD) of MoC	MoC will appoint an Internal Audit Advisor to assist the IAD in formulating its strategic plan; a risk based annual plan; and provide on the job-training to build the capacity of the internal audit staff.	MoC to prepare TOR with WB NOL. IPA to recruit with WB NOL.	Agree TOR by appraisal. IPA to commence recruitment immediately thereafter, with Advisor in place three months after effectiveness.
2f	External audit.	An independent auditor acceptable to WB will be appointed to carry out an annual audit of Program financial statements and effectiveness of internal controls, in accordance with TOR satisfactory to WB.	TOR satisfactory to WB already agreed. MEF to recruit external auditor through bundling with other projects.	MEF to complete recruitment of external auditor who should be in place six months prior to due date of first annual audit.
2g	Minimize cash transactions	All progress payments to contractors, suppliers and consultants – firms, individuals, national and international – to be made by check or transfer to bank accounts. Each cash transaction not to exceed US\$500 limit as per SOP/PM. Retain evidence for audit and WB supervision missions.	MoC	Note in Grant Agreement. MoC to monitor as part of the scope of internal and external audits. WB to verify during FM supervision missions.
2h	Eliminate inconsistencies in allowances paid to Government staff attending training, workshops and study tours.	Adopt DSA rates in Anukret 10 of April 12, 2004, updated in respect of DSA rates for in-country travel by MEF Decision Letter No. 2000 dated April 23, 2007. For international travel, some DSA rates specified in Anukret 10 are position-based and/or higher than UN norms, and are not acceptable to WB for application on WB-financed projects. In such cases, WB will apply a ceiling for reimbursement equivalent to its own rates in use at the time of travel.	MEF/WB to discuss and agree standard DSA for international travel, after which MEF to advise MoC.	Rates to be agreed by August 2008. Until then, for international travel, MoC may use WB rates. WB to monitor through FM supervision missions.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ⁴
		<ul style="list-style-type: none"> • 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>Reimburse against receipts except where covered by fixed allowances in MEF’s letter No. 2000.</p> <p>Evidence of payment to be kept for attendees’ per diem and allowances.</p>	<p>MoC</p> <p>MoC</p>	<p>WB to monitor SOEs with withdrawal applications.</p> <p>WB to verify during FM supervision missions.</p>
2j	Delayed or non-existent reconciliation of advances for operating costs and expenses	The Program will maintain an advances register, as well as vehicle log books and fuel registers. Advances of operating expenses to staff or field offices to be reconciled within two weeks of the end of each month. No further advances to be paid to staff or field offices until the previous advance to those staff or offices has been reconciled and cleared against documentary evidence.	MoC	WB to verify compliance during FM supervision missions
2k	MoC to adopt the MBPI	MEF and MoC agree that MoC will adopt RGC’s MBPI. The MBPI will be implemented strictly according to an MBPI Manual to be prepared for the Program.	MoC to complete the Program-specific MBPI Manual for MEF and WB approval.	Cost sharing basis to be specified in the Grant Agreement. Manual to be approved before first disbursement of MBPI funds. MoC to monitor application, WB to verify during FM supervision missions.
3	Element 3: Disclosure			
3a	Minimize conflict of interest among Program staff	Program staff to disclose private and public affiliations or personal interests before becoming involved in any Program-related transaction or contract award decision.	MoC Program Director to request and retain written disclosures.	WB to monitor during supervision missions.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ⁴
3b	Enhance transparency through greater public disclosure of Program information	<p>Agree on information to be disclosed on MEF and MoC websites biannually, with hard copies available for public inspection on request, at locations to be agreed. At a minimum, disclosed information should include:</p> <ul style="list-style-type: none"> • Program name, objectives, original and revised amount, sources of funding, effectiveness date, original closing date, revised closing date, number of extensions, name and address of implementing agency, name of Program Director with contact information, name of WB TTL and contact information in the MEF-WB unit and in the WB Office in Cambodia. • Details of Program components, percentage completion, data on performance indicators. • AOPs, and procurement plans excluding cost estimates, identifying contracts to be procured in the next 12 months, nature of each contract, location, method of procurement, means of advertisement, bidding period, location where bidding documents and RFPs can be inspected, expected date of availability, and cost of bidding documents. • Consultant long and short lists. Bidding documents and RFPs available for inspection. • Bid closing dates, names of bidders and their bid prices at opening. • List and detail of contracts awarded, names of losing bidders and, if their bid prices were lower than the winning bidder, the reason for their rejection. • Program biannual progress reports • Planned and actual disbursements by sub-component. • Annual financial statements and audit opinion. • Other specific reports prepared by the Program. 	<p>MoC and WB to agree final list and locations for public inspection of hard copies.</p> <p>MoC to arrange disclosure. IPA may disclose procurement information when MEF website upgrading is completed in early 2009.</p>	<p>Agree by three months after Effectiveness.</p> <p>Biannually. WB to verify during supervision missions.</p>

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ⁴
		<ul style="list-style-type: none"> • Complaint handling and remedies mechanism. • Code of ethical conduct signed by all staff. 		
4	Element 4: Civil Society Role			
4a	Provide for greater involvement by Civil Society Organizations (CSOs) to enhance transparency.	<p>Identify appropriate CSOs to witness selected aspects of Program implementation. Invite representatives to attend selected events as observers, such as:</p> <ul style="list-style-type: none"> • bid openings • contract signings • information and skill sharing sessions • Program progress meetings • meetings with the Technical Working Group – Health at central and provincial levels, as part of the partnership arrangements to popularize the Program and obtain feedback on public awareness • hand over ceremonies for Program facilities other events as identified and agreed by MoC and WB <p>Summarize all major CSO involvement in Program biannual progress reports to WB and copied to ME</p>	<p>MoC to select CSOs and obtain MEF concurrence.</p> <p>IPA/MoC. MoC and WB to agree events to be witnessed by CSOs.</p> <p>MoC</p>	<p>MEF to provide MOC with concurrence to CSO not later than one month after Effectiveness.</p> <p>Agree list of events one month after Effectiveness. Observation to begin immediately thereafter. WB to monitor CSO involvement through review of quarterly progress reports and supervision missions.</p> <p>WB to verify satisfactory level of involvement of CSOs during supervision missions.</p>
5	Element 5: Complaint Handling and Remedy Mechanism			
5a	Formal complaints handling and remedy mechanism covering all aspects of the Program.	<p>Design and adopt a mechanism able to address complaints received on all Program components and sub-components and propose remedies. Subject to WB concurrence, MoC may adopt complaints and remedies mechanism used for TFCP.</p> <p>Complaints handling procedures regarding procurement to follow process as set out in the PM.</p>	<p>MoC with WB NOL.</p> <p>IPA/MoC</p>	<p>Design and adopt mechanism by three months after Effectiveness. WB to monitor adoption during supervision missions</p> <p>WB to monitor during prior or post reviews.</p>
6	Element 6: Code of Ethical Conduct			
6a	Program staff must to adhere to the Government’s code of ethical conduct for civil servants.	MOC to disseminate widely the relevant sections on code of ethical conduct contained in the Common Statute for Civil Servants 1994.	MoC with a copy to WB.	Disseminate by one month after Effectiveness. WB to verify adoption during supervision missions.

GOOD GOVERNANCE FRAMEWORK APPLICABLE TO RECIPIENT-EXECUTED TF

	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring ⁴
7	Element 7: Sanctions			
7a	Need to reinforce the Code of Ethical Conduct with sanctions for fraudulent and corrupt activity by Program staff, contractors, suppliers and consultants.	<p>The sanctions defined in the Civil Service Code of 1994 will be applicable to all Program staff. Sanctions against contractors, suppliers and consultants will be those defined in Section 3 of the SOP/PM.</p> <p>WB to apply sanctions available in its general and project-specific legal agreements, including the WB Group's Anti-Corruption Guidelines (ACG) and Sanctions Regime issued in October 2006 and as may be updated subsequently.</p>	<p>MoC to disseminate sanctions with Code of Ethical Conduct.</p> <p>WB to provide MOC a copy of its ACG and Sanctions Regime.</p>	<p>Disseminate sanctions along with the Code of Ethical Conduct by three months after Effectiveness.</p> <p>During appraisal.</p> <p>WB may apply sanctions whenever evidence is found.</p>
8	Element 8: Program Specific Elements			
8a	Maintaining controls over expenditures by other agencies in year 2 onwards.	Detailed AOPs will be prepared by MoC and other agencies requesting funding under the TDSP, and will include good governance measures applicable to each tranche of funding to agencies other than MOC which are not specifically covered in this GGF. No funds will be disbursed until each year's AOP has been approved by MoC, MEF and WB.	MoC will coordinate preparation of AOPs and their joint appraisal with WB prior to adoption.	AOPs will be synchronized and coordinated with the RGC's annual budget process, with final agreement of MoC, MEF and WB annually in December.

Annex 14: Documents in the Project File
CAMBODIA: Trade Development Support Program

World Bank 2004: *Seizing the Global Opportunity: An Investment Climate Assessment and Reform Strategy for Cambodia*. Washington, DC: The World Bank.

World Bank and Asian Development Bank. 2003. *Cambodia - Enhancing Service Delivery through Improved Resource Allocation and Institutional Reform: Integrated Fiduciary Assessment and Public Expenditure Review*. Washington, DC, The World Bank.

World Bank and the Public-Private Infrastructure Advisory Facility. 2002. *Private Solutions for Infrastructure in Cambodia: A Country Framework Report*. Washington, DC, The World Bank.

European Union Multilateral Trade Assistance Project for Laos and Cambodia (EU MULTRAP), *Strategic Review of CamControl* Digby Gascoine, Phnom Penh, February 2005.

European Union Multilateral Trade Assistance Project for Laos and Cambodia *Final Report: Review and Rationalization of Trade Documentary Requirements*, Ian James Scott, February 2005.

Streamlining Trade Facilitation: A Recommendation for Comprehensive Trade Facilitation Reform in Cambodia. SMS Cambodia, Consultant to World Bank, October 30th, 2003.

Country Assistance Strategy. World Bank and International Finance Corporation. (Report No. 32118-KH). April 18, 2005

Country Assistance Strategy Progress Report. World Bank and International Finance Corporation. (Report No. 43330-KH). April 17, 2008

National Strategic Development Plan (NSDP) 2006-2010. Royal Government of Cambodia. January 2006

Anukret on the Implementation of Merit Based Performance Supplement Incentive (No. 29/Ank/Nk). Royal Government of Cambodia. April 2, 2008

Merit Based Performance Incentive Manual. Ministry of Economy and Finance. June 2007

Trust Fund Concept Note

Aide Memoire – Mission in May 2008

Diagnostic Trade Integration Strategy (DTIS), September 2007, Ministry of Commerce and UNDP, Phnom Penh, Cambodia

Prime Minister's Decision on the Establishment of Sub-Steering Committees for Private Sector Development, August 11, 2004, Phnom Penh, Cambodia.

Annex 15: Statement of Loans and Credits
CAMBODIA: Trade Development Support Program

Project ID	FY	Purpose	Original Amount in US\$ Millions					Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF	Orig.			Frm. Rev'd	
P101156	2009	KH-Demand for Good Governance	0.00	20.00	0.00	0.00	0.00	18.96	0.00	0.00	
P100084	2008	KH-Avian Influenza Emergency Project	0.00	6.00	0.00	0.00	0.00	5.00	-0.14	0.00	
P106603	2008	KH - Road Asset Mgmt (ADB/AusAID)	0.00	30.00	0.00	0.00	0.00	27.56	0.00	0.00	
P102284	2008	KH-Second Health Sector Support Program	0.00	30.00	0.00	0.00	0.00	30.28	0.00	0.00	
P084787	2008	KH-Land Allocation for Soc.and Eco. Dev.	0.00	11.50	0.00	0.00	0.00	9.57	-0.95	0.00	
P105329	2007	KH - GMS Power Trade Project	0.00	18.50	0.00	0.00	0.00	20.12	1.99	0.00	
P087945	2006	Cambodia - Public Fin. Mgmt. & AcCnt.	0.00	14.00	0.00	0.00	0.00	13.23	2.82	0.00	
P070668	2005	KH-Cambodia Education Sector Support	0.00	28.00	0.00	0.00	0.00	10.43	4.35	0.00	
P089196	2005	KH- Trade Facilitation & Competitiveness	0.00	10.00	0.00	0.00	0.00	6.61	5.72	0.00	
P071207	2004	KH-PROVL & RURAL INFRA	0.00	20.00	0.00	0.00	2.21	6.85	7.61	3.66	
P064844	2004	KH-Rural Electrif. & Transmn	0.00	40.00	0.00	0.00	0.00	26.74	23.21	23.24	
P073311	2003	KH-PROV & PERI-URB WATER	0.00	19.90	0.00	0.00	1.66	8.57	8.39	0.00	
P071146	2003	KH- RURAL INVESTMENT & LOCAL GOVERNANCE	0.00	58.25	0.00	0.00	0.10	28.23	-10.60	-1.82	
P070542	2003	KH-Health Sector Support Project	0.00	27.00	0.00	0.00	0.00	9.10	4.96	0.00	
P070875	2002	KH-Land Management and Administration	0.00	24.30	0.00	0.00	0.44	11.28	7.02	-0.10	
Total:			0.00	357.45	0.00	0.00	4.41	232.53	54.38	24.98	

CAMBODIA
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

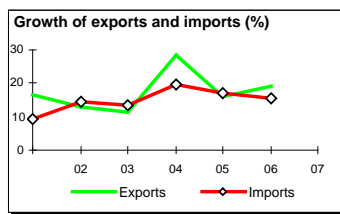
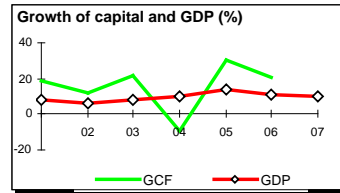
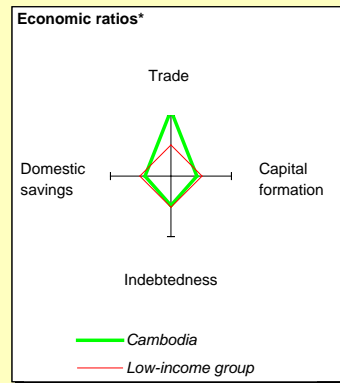
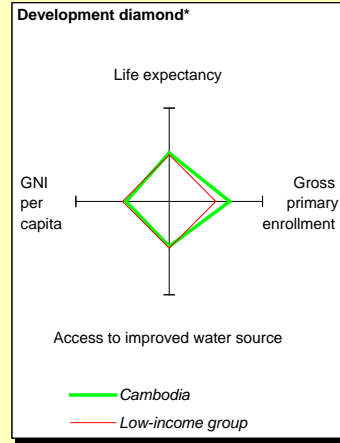
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	Canadia Bank	2.50	0.00	0.00	0.00	2.50	0.00	0.00	0.00
2004	SCA Cambodia	9.21	0.00	0.00	0.00	9.21	0.00	0.00	0.00
2000	SEF ACLEDA Bank	0.00	0.49	0.00	0.00	0.00	0.49	0.00	0.00
2004	SEF ACLEDA Bank	5.25	1.10	0.00	0.00	5.25	1.10	0.00	0.00
2006	SEF ACLEDA Bank	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total portfolio:		21.96	1.59	0.00	0.00	16.96	1.59	0.00	0.00

		Approvals Pending Commitment			
FY Approval	Company	Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 16: Country at a Glance

CAMBODIA: Trade Development Support Program

POVERTY and SOCIAL	Cambodia	East	Low-income		
		Asia & Pacific			
2007					
Population, mid-year (<i>millions</i>)	14.4	1,914	1,296		
GNI per capita (<i>Atlas method, US\$</i>)	540	2,180	578		
GNI (<i>Atlas method, US\$ billions</i>)	7.9	4,174	749		
Average annual growth, 2001-07					
Population (%)	1.7	0.8	2.2		
Labor force (%)	3.0	1.2	2.7		
Most recent estimate (latest year available, 2001-07)					
Poverty (<i>% of population below national poverty line</i>)	35	..	..
Urban population (<i>% of total population</i>)	21	43	32		
Life expectancy at birth (<i>years</i>)	59	71	57		
Infant mortality (<i>per 1,000 live births</i>)	65	24	85		
Child malnutrition (<i>% of children under 5</i>)	28	13	29		
Access to an improved water source (<i>% of population</i>)	65	87	68		
Literacy (<i>% of population age 15+</i>)	74	91	61		
Gross primary enrollment (<i>% of school-age population</i>)	122	110	94		
Male	126	111	100		
Female	118	109	89		
KEY ECONOMIC RATIOS and LONG-TERM TRENDS					
	1987	1997	2006	2007	
GDP (<i>US\$ billions</i>)	0.82	3.4	7.3	8.6	
Gross capital formation/GDP	..	15.0	21.5	..	
Exports of goods and services/GDP	..	33.6	68.8	..	
Gross domestic savings/GDP	..	3.3	14.5	..	
Gross national savings/GDP	..	7.6	17.4	..	
Current account balance/GDP	..	-6.1	-4.6	..	
Interest payments/GDP	0.0	0.1	0.2	..	
Total debt/GDP	5.1	69.2	48.5	..	
Total debt service/exports	..	1.0	0.6	..	
Present value of debt/GDP	..	..	39.5	..
Present value of debt/exports	..	..	54.6	..
	1987-97	1997-07	2006	2007	2007-11
<i>(average annual growth)</i>					
GDP	..	9.3	10.8	10.3	6.8
GDP per capita	..	7.3	9.0	8.4	5.2
Exports of goods and services	..	20.1	19.3
	1987	1997	2006	2007	
<i>(% of GDP)</i>					
Agriculture	..	44.4	30.1	..	
Industry	..	16.4	26.2	..	
Manufacturing	..	11.6	18.6	..	
Services	..	39.2	43.7	..	
Household final consumption expenditure	..	91.2	82.1	..	
General gov't final consumption expenditure	..	5.5	3.5	..	
Imports of goods and services	..	45.3	75.8	..	
	1987-97	1997-07	2006	2007	
<i>(average annual growth)</i>					
Agriculture	..	3.7	5.5	..	
Industry	..	16.5	18.3	..	
Manufacturing	..	16.8	17.4	..	
Services	..	10.0	9.9	..	
Household final consumption expenditure	..	7.4	6.4	..	
General gov't final consumption expenditure	..	5.2	-4.9	..	
Gross capital formation	..	14.8	20.8	..	
Imports of goods and services	..	16.9	15.5	..	



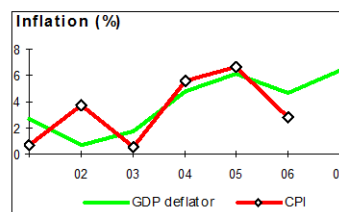
Note: 2007 data are preliminary estimates.

This table was produced from the Development Economics LDB database.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

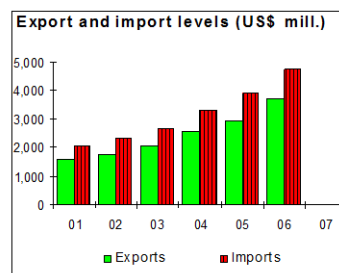
PRICES and GOVERNMENT FINANCE

	1987	1997	2006	2007
Domestic prices				
(% change)				
Consumer prices	..	9.2	2.8	..
Implicit GDP deflator	..	4.4	4.7	6.4
Government finance				
(% of GDP, includes current grants)				
Current revenue	3.8	8.6	10.2	..
Current budget balance	-17	0.6	14	..
Overall surplus/deficit	-2.7	-3.7	-15	..



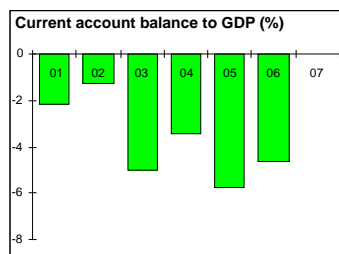
TRADE

	1987	1997	2006	2007
(US\$ millions)				
Total exports (fob)	..	736	3,693	..
Forestry	..	33	175	..
Rubber	..	224	22	..
Manufactures	..	227	2,743	..
Total imports (cif)	..	1,064	4,749	..
Food	..	68	50	..
Fuel and energy	..	130	821	..
Capital goods	1,275	..
Export price index (2000=100)	..	42	..	..
Import price index (2000=100)
Terms of trade (2000=100)



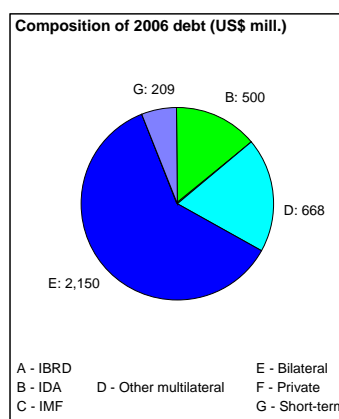
BALANCE of PAYMENTS

	1987	1997	2006	2007
(US\$ millions)				
Exports of goods and services	..	896	4,989	..
Imports of goods and services	..	1,252	5,539	..
Resource balance	..	-356	-550	..
Net income	..	-43	-290	..
Net current transfers	..	188	503	..
Current account balance	..	-210	-337	..
Financing items (net)	..	..	476	..
Changes in net reserves	..	..	-139	..
Memo:				
Reserves including gold (US\$ millions)	..	197	1,350	..
Conversion rate (DEC, local/US\$)	120.0	2,946.3	4,103.3	4,056.2



EXTERNAL DEBT and RESOURCE FLOWS

	1987	1997	2006	2007
(US\$ millions)				
Total debt outstanding and disbursed	42	2,383	3,527	..
IBRD	0	0	0	0
IDA	0	132	500	535
Total debt service	0	9	31	..
IBRD	0	0	0	0
IDA	0	1	7	9
Composition of net resource flows				
Official grants	6	171	246	..
Official creditors	0	39	138	..
Private creditors	0	-3	0	..
Foreign direct investment (net inflows)	..	204	483	..
Portfolio equity (net inflows)	0	0	0	..
World Bank program				
Commitments	0	57	0	0
Disbursements	0	30	19	18
Principal repayments	0	0	4	5
Net flows	0	30	15	14
Interest payments	0	1	4	4
Net transfers	0	30	11	10



Note: This table was produced from the Development Economics LDB database.

9/24/08