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LOAN NUMBER 3166- CAM (SF)

LOAN AGREEMENT  
(Special Operations)

(Technical and Vocational Education and Training Sector Development Program)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 27 OCTOBER 2014

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CAM 46064

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 27 October 2014 between KINGDOM OF CAMBODIA (“Borrower”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 15 July 2014 (“Policy Letter”), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower’s technical and vocational education sector (“Program”);

(B) the Borrower has applied to ADB for a loan for the purposes of the Program;

(C) the Borrower has also applied for a loan from ADB’s Special Funds resources in support of Technical and Vocational Education and Training Sector Development Project (“Project”) and by a loan agreement of even date herewith between the Borrower and ADB (“Project Loan Agreement”), ADB has agreed to provide a loan from its Special Funds resources equivalent to fourteen million eight hundred ninety-five thousand Special Drawing Rights (SDR14,895,000); and

(D) ADB has agreed to make a loan to the Borrower from ADB’s Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

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

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

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

(b) The term “Project” wherever it appears in the Loan Regulations shall be substituted by the term “Program”.

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

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

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

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “Counterpart Funds” means the local currency generated from the Loan proceeds under the Program and referred to in paragraph 4 of Schedule 4 to this Loan Agreement;

(b) “CQF” means Cambodia Qualifications Framework;

(c) “Deposit Account” means the account referred to in paragraph 3 of Schedule 3 to this Loan Agreement;

(d) “Eligible Imports” means the total imports of the Borrower during the relevant period minus the following imports during the same period:

(i) imports from countries which are not members of ADB;

(ii) imports of ineligible items specified in the Attachment 1 to Schedule 3 to this Loan Agreement; and

(iii) imports financed by official international or bilateral aid agencies or any other loans or grants made by ADB;

(e) “Eligible Items” means the Eligible Imports and services in connection with the delivery and installation of such imports;

(f) “First Tranche” means the portion of the proceeds of the Loan in an amount equivalent to three million five hundred thousand Dollars (\$3,500,000) to be withdrawn pursuant to and subject to the provisions of paragraph 6.01 (b) of this Loan Agreement;

(g) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(h) “MLVT” means the Borrower’s Ministry of Labour and Vocational Training or any successor thereto;

(i) “NTB” means the Borrower’s National Training Board chaired by its Deputy Prime Minister or any successor thereto;

(j) “Policy Letter” means the development policy letter referred to in Recital (A) of this Loan Agreement;

(k) “Policy Matrix” means the policy matrix agreed between the Borrower and ADB, attached to the Policy Letter, setting forth the objectives, policies and actions accomplished or to be accomplished by the Borrower under the Program;

(l) “Program Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MLVT or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;

(m) “Second Tranche” means the balance of the proceeds of the Loan remaining in the Loan Account after the utilization of the First Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 4 of Schedule 3 to this Loan Agreement;

(n) “TVET” means technical and vocational education and training; and

(o) “VSC” means vocational skills certification;

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to four million five hundred thirty-three thousand Special Drawing Rights (SDR4,533,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term “grace period” as used in paragraph (a) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 October and 1 April in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

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

Section 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

### **ARTICLE IV**

#### **Particular Covenants**

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

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

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the Project Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the Project Loan Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and

(b) the Borrower has, to the full satisfaction of ADB, met the policy actions for the release of the First Tranche specified in the Policy Matrix.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

**ARTICLE VII**

**Miscellaneous**

Section 7.01. The Minister of Economy and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Ministry of Economy and Finance  
Street 92, Sangkat Wat Phnom  
Khan Daun Penh  
Phnom Penh  
Cambodia

Facsimile Numbers:

(855-23) 427-798  
(855-23) 428-424.

For ADB

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

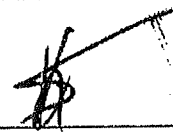
Facsimile Number:

(63-2) 636-2228.

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

KINGDOM OF CAMBODIA

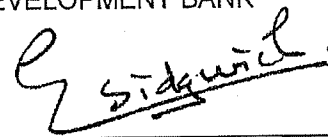
By



H. E. DR. AUN PORNMONIROTH  
Minister  
Ministry of Economy and Finance

ASIAN DEVELOPMENT BANK

By



ERIC SIDGWICK  
Country Director  
Cambodia Resident Mission



**SCHEDULE 1****Description of the Program**

1. The principal objective of the Program is an accessible, demand-driven TVET system responsive to continuing and emerging labor market demands in Cambodia through (i) increased access to TVET programs, particularly for women and the poor; (ii) improved quality and relevance of the TVET system; (iii) increased involvement of employers in TVET delivery; and (iv) strengthened governance and management of TVET system. The Program is described in more detail in the Policy Letter.
2. The Program is expected to be completed by 31 December 2017.

**SCHEDULE 2****Amortization Schedule****(Technical and Vocational Education and Training Sector Development Program)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01 Oct 2022	141,656
01 Apr 2023	141,656
01 Oct 2023	141,656
01 Apr 2024	141,656
01 Oct 2024	141,656
01 Apr 2025	141,656
01 Oct 2025	141,656
01 Apr 2026	141,656
01 Oct 2026	141,656
01 Apr 2027	141,656
01 Oct 2027	141,656
01 Apr 2028	141,656
01 Oct 2028	141,656
01 Apr 2029	141,656
01 Oct 2029	141,656
01 Apr 2030	141,656
01 Oct 2030	141,656
01 Apr 2031	141,656
01 Oct 2031	141,656
01 Apr 2032	141,656
01 Oct 2032	141,656
01 Apr 2033	141,656
01 Oct 2033	141,656
01 Apr 2034	141,656
01 Oct 2034	141,656
01 Apr 2035	141,656
01 Oct 2035	141,656
01 Apr 2036	141,656
01 Oct 2036	141,656
01 Apr 2037	141,656
01 Oct 2037	141,656
01 Apr 2038	141,664
<b>TOTAL</b>	<b>4,533,000</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### SCHEDULE 3

#### Withdrawal of Loan Proceeds

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

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

(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be greater than the amount of the Loan expected to be disbursed during such year.

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

3. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at the National Bank of Cambodia into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

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

4. Notwithstanding any other provisions of this Loan Agreement and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account for the Second Tranche unless ADB is satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; (b) the policy actions that were met for the release of the First Tranche continue to be complied with by the Borrower; and (c) the Borrower has met the policy actions for the release of the tranche specified in Attachment 2 to this Schedule.

**Negative List**

No withdrawals will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

**Table: Ineligible Items**

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

Source: United Nations.

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

**Policy Actions for Release of the Second Tranche****A. Output 1: Increased Access to TVET Programs**

1. Introduce the VSC
  - (a) MLVT shall have issued Prakas approving the VSC at level 1 of the CQF as an alternative entry requirement into the formal TVET system; and
  - (b) MLVT shall have issued guidelines for implementing and monitoring the CQF, including criteria for VSC qualification.
  
2. Develop and implement policies recognizing prior learning and current competencies (RPL/RCC)
  - (a) NTB shall have approved the Assessment Policy, including (i) the process for recognition of prior learning and current competencies; and (ii) the rationale for conducting competency assessments to facilitate access to formal TVET and promote recognition of prior learning and current competencies; and
  - (b) NTB shall have approved the Certification Policy outlining the procedure for recognition of competency units achieved and the certification of complete qualifications for CQF Levels 1-4.

**B. Output 2: Improved Quality and Relevance of TVET System**Strengthen TVET Quality Assurance System

The Borrower shall have developed and approved the National TVET Policy in consultation with relevant government agencies, employers, and workers to provide a strategic framework for gender inclusive skills development for lifelong employability and regional competitiveness.

**C. Output 3: Increased Involvement of Employers in TVET Delivery**Strengthen Internship Program

NTB shall have developed and approved the Internship Policy in consultation with employers and workers to provide a gender inclusive framework for reforming internship programs offered by public TVET institutions under MLVT.

## SCHEDULE 4

### Program Implementation and Other Matters

#### Implementation Arrangements

1. MLVT, as the Program Executing Agency, shall have the overall responsibility for the implementation of the Program, maintenance of all Program records, reporting to ADB, and disbursement and administration of the Loan proceeds.

#### Policy Actions and Dialogue

2. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.

3. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take into account ADB's views before finalizing and implementing any such proposal.

#### Use of Counterpart Funds

4. The Borrower shall ensure that the Counterpart Funds are primarily used to finance the implementation of certain programs and activities consistent with the objectives of the Program.

#### Governance and Anticorruption

5. The Borrower, the Program Executing Agency, and the implementing agencies shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.