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LOAN NUMBER 3429-CAM(SF)

PROJECT AGREEMENT  
(Strengthening Public Financial Management Project)

between

ASIAN DEVELOPMENT BANK

and

NATIONAL AUDIT AUTHORITY

DATED 06 OCT 2016

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CAM 49041

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 06 OCT 2016 between ASIAN DEVELOPMENT BANK ("ADB") and the NATIONAL AUDIT AUTHORITY ("NAA").

### WHEREAS

(A) by a loan agreement of even date herewith between the Kingdom of Cambodia ("Borrower") and ADB ("Program Loan Agreement"), ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources in the amount of SDR18,939,000 for the purposes of the first subprogram ("Program") under a programmatic approach described in paragraph 1 of Schedule 1 to the Program Loan Agreement;

(B) by a technical assistance loan agreement of even date herewith between the Borrower and ADB ("TA Loan Agreement"), ADB has agreed to make a loan to the Borrower for the purposes of the technical assistance project ("Project") described in Schedule 1 to the TA Loan Agreement (the "TA Loan"), but only on the condition that a portion of the proceeds of the TA Loan be made available to NAA and that NAA agrees to undertake certain obligations towards ADB set forth herein; and

(C) NAA, in consideration of ADB entering into the TA Loan Agreement with the Borrower, has agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

### Definitions

Section 1.01. (a) Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the Program Loan Agreement, TA Loan Agreement and in the Loan Regulations (as so defined) have the respective meanings therein set forth.

(b) In addition to the terms referred to in subsection (a) hereinabove, the following terms, wherever used in this Project Agreement, unless the context otherwise requires, have the following meaning:

- (i) "Loan" means the portion of the TA Loan proceeds made available to NAA for the purposes of the Project; and
- (i) the term "the Project" means Component 3 of the Project, as described in paragraph 2(iii) of Schedule 1 to the TA Loan Agreement.

## ARTICLE II

### Particular Covenants

Section 2.01. (a) NAA shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical and financial practices.

(b) In the carrying out of the Project, NAA shall perform all obligations set forth in the TA Loan Agreement to the extent that they are applicable to NAA.

Section 2.02. NAA shall make available, promptly as needed, the facilities, services, and other resources as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, NAA shall employ competent and qualified consultants, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, NAA shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to the TA Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. NAA shall carry out the Project in accordance with plans and work schedules acceptable to ADB. NAA shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plan and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. NAA shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, its operations and financial condition.

Section 2.06. (a) ADB and NAA shall cooperate fully to ensure that the purposes of the Loan will be accomplished.

(b) NAA shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement or the accomplishment of the purposes of the Loan.

(c) ADB and NAA shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, NAA and the Loan.

Section 2.07. (a) NAA shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Loan and the expenditure of

the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; and (iv) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, NAA shall furnish to ADB periodic reports on the execution of the Project. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, NAA shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by NAA of its obligations under this Project Agreement and the accomplishment of the purposes of the Loan.

Section 2.08. (a) NAA shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) NAA shall enable ADB, upon ADB's request, to discuss the financial statements for the Project with the auditors appointed by the Borrower under the Project pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of NAA, unless NAA shall otherwise agree.

Section 2.09. NAA shall enable ADB's representatives to inspect the Project and any relevant records and documents.

Section 2.10. (a) NAA shall, promptly as required, take all action within its powers to maintain its legal existence and to carry on its operations.

(b) NAA shall at all times conduct its operations in accordance with sound applicable technical and financial practices, and under the supervision of competent and experienced management and personnel.

Section 2.11. NAA shall not sell, lease or otherwise dispose of any of its assets which (in its reasonable opinion) may prejudice its ability to perform satisfactorily any of its obligations under this Project Agreement.

Section 2.12. Except as ADB may otherwise agree, NAA shall apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of the Loan Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.13. NAA shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project. NAA shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

### **ARTICLE III**

#### **Effective Date; Termination**

Section 3.01. This Project Agreement shall come into force and effect on the date on which the TA Loan Agreement comes into force and effect. ADB shall promptly notify NAA of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the TA Loan Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the TA Loan Agreement.

### **ARTICLE IV**

#### **Miscellaneous**

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

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

## Facsimile Numbers:

(632) 636-2444  
(632) 636-2331.

For NAA

National Audit Authority  
No. 5, Duong Ngeab 3  
Phoum Tekthla  
Sangkat Tekthla, Khan Sensok  
Phnom Penh, Cambodia

## Facsimile Number:

+ 855 23 885 900.


Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of NAA may be taken or executed by its Secretary General or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) NAA shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.

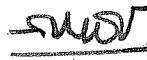
Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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 ADB.

ASIAN DEVELOPMENT BANK

By   
NORIKO OGAWA  
Deputy Director General  
Southeast Asia Department

NATIONAL AUDIT AUTHORITY

By   
H.E. SOM KIM SUOR  
Auditor General  
National Audit Authority