



The Global Partnership on Output-Based Aid

CAMBODIA GPOBA COMMITMENT DOCUMENT

Project name: Improved Access to Communications in Rural Cambodia (P102475)

Objectives: The objective of the project is to bring basic voice telephony services to low income families in rural areas of northern and northwestern Cambodia. A secondary objective is to demonstrate a private-public partnership through the output-based aid (OBA) subsidy approach.

Summary of changes made to project scope: Two changes have been made to the original project scope based on the market update conducted in November 2007:

- a) The original list of target locations has been updated. The project will provide a one-time capital subsidy for the provision of voice telephony service in locations that would otherwise be considered commercially unviable by the telecommunications industry.
- b) The original design separated the two types of service: network coverage (sub-project A) and public access to voice telephony (sub-project B). The two sub-projects have now been combined into one package in which the winning Service Provider will be obliged to provide both network coverage for voice telephony and one public access point in each of the target locations. The public access points in each of the locations will ensure that the poorest households have access to voice telephony.

Approach to competitive tender: To ensure that the project will result in least-cost solutions, the project will involve competitive tendering. It is envisaged that a single contract will be awarded for all target locations to the single Service Provider requesting the lowest subsidy. Voice telephony service can be provided with any technology chosen by the Service Provider who will construct and operate the systems. Prospective bidders can also offer additional services in their proposals to justify the proposed and any additional investment.

Target locations: The target locations are in four provinces of the country which are home to a large number of very poor households, with income levels estimated to be around 50% less than the 2006 GNI per capita for Cambodia of US\$480¹, and in some extreme cases such over 50% of the population in Preah Vihear and Odtar Meanchey subsisted below the poverty line in 2003-04.

Total expected beneficiaries: The target locations consist of approximately 261,000 people or 52,200 households².

Outputs:

For basic voice telephony service:

- Volume of incoming and outgoing call minutes per month (based on network traffic measurement)

¹ A National Institute of Statistics survey conducted in 1999 found that the average monthly household income in rural locations was US\$82 (or US\$16.42 per person).

² There are on average 5 people in a Cambodian household.

- Demonstration of network coverage in target locations, namely by submission of lists of locations covered to date. This list will be verified (Independent Verification Agent) by matching the locations list with a separate list of subscriber numbers and corresponding addresses³ (**payment trigger for disbursement**);
- Provision of service at a quality (with respect to network congestion and dropped calls) similar to the rest of their network;
- Provision of service at the same prices as in other locations (e.g. Phnom Penh).

For public access points:

- Volume of incoming and outgoing calls from the public access numbers;
- Existence of public access points with active network access in 80% of villages in the target locations to be verified (**payment trigger for disbursement**);
- Availability of public access points for 8 hours a day, five days a week (excluding mid-day break).

Total investment (GPOBA subsidy + Service Provider investments): Estimated at \$4,751,914 (includes operators' investment of \$2,375,957, of an estimated 50% of total costs)

GPOBA funding requested (Window 3): \$2,625,595 (Annex 1 Project Cost Table)

Total GPOBA funding to date (GPOBA Technical Assistance Window 1): \$491,737

	GPOBA Window 1
Phase I consultancy	\$66,000
Phases 2, 3 and update of Phase 1 consultancy	\$328,000
WB/GPOBA supervision	\$97,737
TOTAL	\$491,737

GPOBA subsidy “efficiency”: \$9.10/person or 50% of total costs.

Economic and financial returns: The economic internal rate of return (E-IRR) is 71%. A discount rate of 18% is used as it reflects the expected required return for an investment in the country. If no subsidy were given, the financial internal rate of return would be 4.5%, too low for an investor to be attracted to this project (the net present value using the 18% discount rate is of – US\$2.2 million. The expected subsidy in order to make this project attractive to an investor (that is, to make the internal rate of return equal to the discount rate) is of US\$2.4 million (see Annex 6). While the project is technology neutral, for the purposes of project costing and subsidy calculations, it will be assumed that the Service Provider will choose to provide a voice telephony service using mobile technology. Proceeding on that assumption, the project will support the provision of about 33 Base Transceiver Station (BTS) rural sites, most likely 10 in Banteay Meanchey, 5 in Otdar Meanchey, 3 in Pursat and 15 in Preah Vihear.

Grant recipient: Kingdom of Cambodia

Financial management: Risks are assessed as low. Private operators competitively selected and GPOBA subsidies disbursed to a Service Provider through direct payment upon outputs certified

³ Operators will be able to provide a list of numbers and corresponding addresses as address registration is necessary to purchase a SIM card in Cambodia. This information will be verified by the Independent Verification Agent. The coverage of each location can then be roughly mapped out with the locations of households with voice telephony.

by the Independent Verification Agent. An Independent External Auditor will be appointed to audit the Project Financial Statements at the end of the project.

Disbursement schedule:

- 10% of contract amount upon contract award;
- 30% of contract amount upon successful provision of network coverage in 50% of target locations and installation of public access points in 40% of target locations (**refer to aforementioned outputs**);
- 30% of contract amount upon provision of network coverage in 100% of target locations and installation of public access points in 80% of target locations;
- 30% of contract amount upon supervision of all target locations to check upon network coverage, existence of public access points with active network access, and availability and quality of service for one year.

Procurement: All contracts for goods, works and non-consulting services shall be procured in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 revised October 1, 2006, and all contracts for consultant services shall be procured in accordance with the World Bank's Consultant Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 1, 2006. The main procurement-related issues and risks and the mitigation measures are provided in Annex 3. With incorporation of the mitigation measures into the procurement design and implementation arrangements, the overall project risk for procurement is rated as "Substantial".

Environmental clearance: Category "C" rating assigned to this project.

Government endorsement: Yes, MPTC

Exchange rate: 3,887 Cambodian Riel = US\$1 as of 7 April 2008

ACRONYMS AND ABBREVIATIONS

ACG	Anti-Corruption Guidelines (of the WB)
BMC	Banteay Mean Cheay
BTS	Base Tranceiver Station
CSO	Civil Society Organization
E-IRR	Economic Internal Rate of Return
E-NPV	Economic Net Present Value
EMP	Environmental Management Plan
F-IRR	Financial Internal rate of Return
FM	Financial Management
FMM	Financial Management Manual
F-NPV	Financial-Net Present value
GNI	Gross National Income
GPOBA	Global Partnership for Output Based Aid
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association
IFR	Interim Financial Reports
IOC	Incremental Operating Costs
IPA	Independent Procurement Agent (for Externally Assisted Projects)
ITU	International Telecommunications Union
IVA	International Verification Agent
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
MPTC	Ministry of Post and Telecommunications of Cambodia
NOL	No Objection Letter
OMC	Otdor Mean Chey
PM	Procurement Manual
RFP	Request for Proposal
SOP	Standard Operating Procuedure
TF	Trust Fund
TOR	Terms of Reference
TTL	Task Team Leader (of the WB)
UNDP	United Nations Development Program
WB	World Bank

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A. STRATEGIC CONTEXT AND RATIONALE

A.1. Country and Sector Issues

Country background

Over the past decade, Cambodia has undergone significant economic, political, and social transitions, and continues its path to recovery from three decades of conflict. Cambodia experienced rapid institutional changes as it restored peace, moved from a centrally planned to a market-oriented economy, and moved from isolation to regional and global integration. In this context, the first local and national elections in 2002 and 2003 respectively, an impressive 7 percent economic growth rate in 2005, and the accession to the World Trade Organization constitute major achievements.

Nevertheless, Cambodia's economy remains vulnerable, and economic growth has not translated into widespread poverty reduction. With a GNI per capita of US\$480⁴ and some social indicators showing little progress since the 1960s, Cambodia remains one of the poorest countries in the world. The legacies of war, the losses in physical and social capital, depleted human capital, and the remaining land mines, will continue to challenge the country's overall development in the short and medium terms. In addition, the country's small and open economy is faced with the challenge of establishing institutions and infrastructure that will allow it to realize the benefits and mitigate the risks of regional and global integration, in an increasingly competitive regional environment.

Telecommunications market structure

There have also been some major developments in Cambodia's telecommunications sector. In 1990, the first full year of peace, most of the communications infrastructure in the country was outdated and there was extensive damage to the fixed line network. There were 0.032 phones for every 100 people or a total of only 3,115 fixed lines. In 1995, the ITU and UNDP helped prepare a master plan for the sector, which focused mainly on the installation of fixed line facilities, and resulted in some very limited improvements in connectivity (mainly in the capital Phnom Penh).

Since then, the sector has been characterized by a high level of foreign and private investment. There is no incumbent telecommunications company in the traditional sense. Telecom Cambodia was only established in January 2005. The assets of Telecom Cambodia were transferred from MPTC which, prior to the establishment of Telecom Cambodia, was also an operator. These assets principally comprised some long distance backhaul network and a limited number of fixed line connections.

Most of the growth and development has been in mobile communications, as is the case elsewhere in the world. In Cambodia this was achieved through a policy of foreign investment promotion, private participation, and light-handed regulation. Four mobile operators are offering services as of December 2007:

- Mobitel – established in 1996 as a joint venture between Luxembourg-based Millicom International and the Royal Group of Cambodia;
- Hello GSM – Telekom Malaysia International (Cambodia) Co. Ltd (TMIC), a subsidiary of Malaysian company Telekom Malaysia Berhad (TM);

⁴ Figure is for 2006 and is based on the World Bank Atlas method (current US\$).

- Camshin – trades under the name Camshin, is a subsidiary of Shin Satellite PLC, Thailand; and
- Starcell (owned by Applifone Company Limited) – currently operational only in Phnom Penh.

Estimated market shares for the above operators are shown in Annex 5. Viettel and Cadcomms are due to launch mobile services in 2008. According to ITU estimates, in 2006, there were 1.14 million mobile subscribers, or 8 mobiles per 100 persons, compared to 32,800 fixed lines, or less than 1 per 100 persons. At the end of 2006, reports estimated that there were over 1.5 million mobile subscribers with the number of subscribers growing at a rate of around 35% per annum. In 2007, publicly reported figures from Millicom, Shin Corporation and TM for the second quarter suggest that there are in excess of 2 million subscribers, or a national teledensity of 14 percent.

Sector issues and government objectives

Rural access remains a major challenge. The population of Cambodia in 2006 was 14.4 million, of whom around 18 percent live in urban locations and 82 percent in rural locations. The National Institute of Statistics estimates that while 28.1 percent of urban households own a mobile or fixed line phone (65.3 percent in Phnom Penh), only 5.8 percent of rural households own a phone. 50 percent of all phone subscribers are in Phnom Penh and Siem Reap.

Access to mobile telecommunications has improved in smaller towns such as Battambang, Kratie, Kampong Chum. Coverage in some rural locations is also improving, particularly those close to the border of Thailand and Vietnam or along roads which lead to Thailand or Vietnam. However, there remain large obstacles to the provision of telecommunications services in rural and remote locations.

Rural and remote communes tend to be less commercially attractive to Service Providers because there are higher operating costs and lower average revenue per user (ARPU). Access to suitable backhaul networks is often a key cost and technical consideration for Service Providers. The fiber optic network in Cambodia is still being developed; satellite backhaul is generally not cost-effective, and has capacity and quality of service constraints.

Targeting

Four of the poorer provinces in the northern and north-western regions have been selected based on two distinct dimensions: limited or no access to voice telephony services, and unviable opportunities for investments in the short to medium term. The locations are:

Province	Total Population	Districts	Communes	Villages
Banteay Meanchey	680,251	8	64	635
Otdar Meanchey	147,913	5	24	231
Preah Vihear	143,565	7	49	208
Pursat	391,481	6	49	501

MPTC has also confirmed that these locations would benefit from the project.

These locations are home to a large number of very poor households, with income levels are estimated to be significantly less than the 2006 GNI per capita for Cambodia of US\$480. A National Institute of Statistics survey conducted in 1999 found that the average monthly

household income in rural locations was US\$82 (or US\$16.42 per person). Furthermore, over 50% of the population in Preah Vihear and Odtar Meanchey subsisted below the poverty line in 2003-04.

Many of the rural and remote villages in these provinces are currently ignored by the commercial market (by both the fixed and the four active mobile operators) or significant gaps exist in the commercial coverage, and are perceived to be commercially unviable in the short to medium term. Many remote border villages and hamlets adjacent to the Thailand border that were once home to the Khmer Rouge have also been left without any phone service.

Improved telecommunications will likely impact access to markets and economic opportunities in these areas. As the most populated of the four targeted districts Banteay Meanchey produces relatively large quantities of fish, cattle and rice. Fishing represents an important feature of agricultural output in Odtar Meanchey. In Preah Vihear, the farming of cattle accounts for the largest sector in agricultural production. In Pursat, which borders the Tonle Sap to the east, most households are involved in rice cultivation during the wet season.

A.2. Rationale for GPOBA involvement

GPOBA has a mandate to fund pro-poor infrastructure services through output-based subsidies, with special emphasis on the poorest countries. This proposed project in rural Cambodia fulfills these and other operational criteria:

- explicit use (i.e. targeting) of subsidies;
- increasing accountability of the service provider;
- attracting increased private participation in operations and financing;
- providing incentives for innovation and efficiency;
- enhancing sustainability; and,
- monitoring of results.

This project will help to strengthen the role of the local private sector, building upon sector reforms that began in the early part of this decade by the Cambodian Government, The World Bank, and other donors. It shifts increased performance risk to the provider by disbursing subsidies on the delivery of agreed outputs. Furthermore, upon project completion, the market is expected to prove financially sustainable after the investment subsidy. This project will complement the Government's efforts to encourage private investment as contained in the private investment policy documents.

Chances for replication are high in the communications sector and other sectors. Based on the experiences in bringing communications access to non-commercial rural and remote locations of northwestern Cambodia, this project will provide a demonstration for replication in Cambodia and possibly in neighboring Lao PDR.

A.3. Higher level objectives to which the project contributes

There is growing consensus that information and communication technologies (ICT) are being used to tackle development issues such as those identified by the Millennium Development Goals (MDG). In tackling the MDG #1, to halve population in poverty, ICTs are being used as tools to raise household income in developing countries through:

- stimulating local business development: directly by promoting new economic opportunities such as the development of “village phone” services, and indirectly by creating new marketing and information channels;
- reducing business transaction costs and increasing productivity by reducing or eliminating travel costs (direct) and time (indirect);
- improving access to markets and market information, facilitating local trade, and promoting direct communication along the supply chain;
- improving opportunities for alternative financing sources and migrant worker jobs;
- facilitating the adoption of value-added technologies or ICT applications such as mobile text-message based market information services, other data services; and
- improving access to health information sources and emergency response teams.

Moreover, the introduction of mobile services in these locations will open the way for other ICT services (ICTs) which can have an impact on human development issues, such as in education (MDG #3) and health (MDG # 5 and 6), by providing ways to lessen the impact of distance between teacher and student, and doctor and patient. ICTs are not only tools for communication but are also portals to the information highway that is steadily growing and expanding into isolated locations, and subsequently incorporating traditionally marginalized people into the formal economy (MDG #8).

B. PROJECT DESCRIPTION

B.1. Project development objective and key indicators

The objective of the project is to bring basic voice telephony services (and other additional services supported by the Service Provider’s business case) to low income families in rural and remote locations in four defined locations in northern and northwestern Cambodia.

The project will include locations where residents currently have limited or no access to basic voice telephony but where there is sufficient population base that would allow a Service Provider to establish a commercially viable operation in the area. Another key objective of the project is to ensure the ongoing viability of outputs for which the capital expenditure will be subsidized with the GPOBA funding.

The target locations in Pursat, Preah Vihear, OMC and BMC have been selected using the following criteria:

- there is limited or no connectivity within a 15-20km distance;
- there is a cluster of villages with a population exceeding 2,000 persons;
- the area is characterized by low-income households (i.e. less than the GNI per capita income of US\$480), low levels of education, limited infrastructure, geographical remoteness.

The expected beneficiaries in the target locations are set out in the table below:

Province	Expected number of beneficiaries ⁵	Districts	Communes	Villages
Banteay Meanchey	105,997	7	13	136
Otdar Meanchey	61,944	4	11	72
Preah Vihear	41,860	7	24	99
Pursat	51,168	3	⁶	45
Total	260,969	21	52	352

To ensure that the pilot will result in least cost solutions, the project will involve competitive tendering for the private Service Provider that will construct and operate the systems. It is envisaged that a single contract will be awarded for all target locations to the Service Provider requesting the lowest subsidy. A single contract will maximize the value of the subsidy, while multiple contracts would likely render the investment unviable, particularly given the current level of investment by mobile operators and other parties in Cambodia.

Key indicators: The main development objective of increased access will be measured by the establishment of public access points in the target locations and the traffic volume generated. Network coverage in target locations, will be verified namely by submission of lists of locations covered. Other indicators will include: (i) number of monthly incoming and outgoing call minutes; (ii) provision of service at a quality similar to the rest of their network; (iii) provision of service at the same prices as in other locations; and (iv) availability of public access points for 8 hours a day, five days a week.

B.2. Project description

Scope: Targeting the unserved and underserved peri-urban and rural locations of BMC, OMC, Pursat and Preah Vihear, the project will facilitate the provision of:

1. basic voice telephony service – the service can be provided with any technology but the Service Provider must provide full network access and the service must be at a quality and price similar to the rest of their network in Cambodia; and
2. basic access to services – the Service Provider must ensure the provision of public access points to 80% of the villages in the target locations.

The project will also support the provision of any additional service(s) the Service Provider offers in their bid proposal, to justify the proposed investment and any additional investment. This additional service may also provide an extra revenue stream for the Service Provider which would enable it to request a lowest subsidy.

⁵ Based on population figures in the Commune Database, which was generated as part of the SEILA Programme in 2005. We have calculated the total number of beneficiaries as the total population of the communes that are targeted by the project. The number of beneficiaries is assumed to be greater than usage because of the nature of the project, which requires the supply of a basic voice telephony service and basic access to that service. The provision of such services would likely benefit each household in the village and not simply individual direct users.

⁶ To be covered by 3 BTS.

The project components are discussed in more detail below:

Basic voice telephony service:

While the project is technology neutral, for the purposes of project costing and subsidy calculations, it will be assumed that the Service Provider will choose to provide a basic voice telephony service using mobile technology. This is the predominant telecommunications infrastructure available in Cambodia and the mobile segment has significantly higher penetration rates than fixed lines and Internet. The use of mobile technology will maximize the benefits obtained through the subsidy due to existing economies of scale.

Proceeding on that assumption, the project will likely support the provision of about 33 Base Transceiver Station (BTS) rural sites, most likely 10 in BMC, 5 in OMC, 3 in Pursat and 15 in Preah Vihear. The winning operator is responsible for ensuring that the new site installations are fully compatible and inter-connectable with existing telecommunications networks in Cambodia. For costing purposes it is estimated that this can be achieved by the build out of about 33 BTS – 65 meter telecommunications towers with associated transceivers and transmission equipment. These installations will provide access to a mobile network to a new rural subscriber base within the range 10 to 20 km radius of the BTS. In practice, most of the villages served are well within 10 km of the projected BTS site. Each BTS will have a mobile network backhaul connection and be powered 24/7 by a combination of a diesel generator and solar panels feeding batteries.

The OBA subsidy has been projected at a level that covers 50% of the total initial investment for each new BTS tower and dial tone connection.

Output: Provision of basic voice telephony will be measured against the following dimensions.

(i) Existence of basic voice telephony service in the target locations; (ii) Achievement of performance with respect primarily to network congestion and dropped calls (similar to rest of Cambodia network); and (iii) Volume of outgoing call minutes moving through each of the target locations.

Basic access to services:

The Service Provider must ensure that there are public access points which are accessible to residents in the target locations. Access points should be provided to 80% of the villages in the target locations (although note that the cost estimates assume 100% coverage of villages).

This component does not require the Service Provider to establish and/or install a retail outlet or public payphone points. Rather, the Service Provider can choose the distribution channel they wish to use to ensure that there is basic access to their services in the target locations. In their bid proposal, the Service Provider would need to show that they are capable of delivering services into the target locations using their selected distribution channel(s).

The access point phone is intended to connect seamlessly with the parent proprietary networks and offer similar quality and pricing of services as in the Service Provider's existing network. There are a number of distribution models which are currently utilized by telecommunications operators in Cambodia, including service provider-owned and operated access points, exclusive and non-exclusive dealerships, agents and entrepreneur-operated access points. Entrepreneurs

who operate these access points (e.g. a phone booth, store) usually purchase network connectivity through the Service Provider's distribution channels at commercial tariffs.

The specific distribution model chosen by the Service Provider - as well as the administrative and financial arrangements associated with the above options - are the responsibility of the Service Provider to determine. This may involve negotiation with local entities and entrepreneurs. There will be no direct contractual or formal relationship with any entities other than the winning Service Provider.

For costing and subsidy calculating purposes, it is assumed that access points will be run by local entrepreneurs or dealers selected by the Service Provider. Capex will therefore be incurred to install the access point. We have assumed that 75% of villages within the coverage area will only require Ultra Low Cost Handsets (ULCHs) or equivalents to be made available to access the mobile network. In 15% of cases we have assumed a passive repeater would be required at a cost of \$2,000 per village. In 10% of cases, we have assumed an active repeater would be required at a cost of \$12,000 per village. We also assumed that 7 villages would be covered by each BTS.

Output: Provision of basic access to services will be measured against the following dimensions: A) Existence of access points for 80% of villages in the target locations; B) Availability of access point for 8 hours a day, five days a week (excluding mid-day break); C) Volume of outgoing calls from the public access number.

Additional services to be offered by Service Provider:

The Service Provider must also offer additional services such as basic data and Internet access in their bid proposals. The additional services that a Service Provider offers may depend on the technology chosen for the provision of basic telephony services. The Service Provider can offer these additional services to justify the proposed and any additional investment they intend to make, and also to enhance their bid proposal by using the expected revenue stream from the additional services to lower their requested subsidy amount.

Output: Additional services will not be measured. Rather, revenue from additional services may be used to enhance a Service Provider's offering and to lower the requested subsidy.

Competitive tendering: Licensed telecommunications operators are invited to bid on the provision of a basic telephony service and basic access to that service. Bidding documents will specify any requirement to pre-qualify by offering to bid on all the target locations. Award will be based on lowest subsidy required for the provision of mobile phone service in the target project locations. "Smart subsidies" will be payable against the prescribed outputs.

Technical Considerations: All bidding documents will be technologically neutral, to anticipate potential changes in technology. We have assumed for costing purposes that existing GSM technology would be used by the contracting Service Provider, together with digital microwave for backhaul (as is the current practice for the mobile operators). Bidders who can provide more efficient technology with lower resulting costs may do so, provided they meet the required outputs.

Project Management and Supervision Support

Provision of support for project administration, including financial management, technical supervision audits and monitoring and evaluation will be provided through consultancies.

B.3. Economic and financial analysis

Economic and Social Benefits:

This project aims to provide a tool to poor rural households to gain greater access to information and knowledge sources. Public access points in towns with no previous coverage will allow villagers access to: market prices, job opportunities, resources for agronomy and fishery, tracking of remittances from migrant family members, new business contacts, access to government programs and services; and speedier calls for emergency responses. Economic benefits include better integration of rural producers into the cash economy; higher margins for local producers as they become aware of prices elsewhere, economic integration with other regions and nearby locations, less waste in unsold fisheries and fresh food products, and improved opportunities for alternative financing sources, among others; all of which increase rural productivity and household income. Health benefits from improved communications can include easier access to a variety of specialists and prescriptive drugs, improved information about public health practices and avoidance of communicable diseases such as TB and HIV AIDS, and faster emergency health responses. These benefits and others will help to lessen the widening income gap between Cambodia's rural and urban locations.

The economic internal rate of return (EIRR) is 71% (see Annex 6), which suggests that the subsidy is convenient for society as the benefits it generates offset the amount of the subsidy required. The operation has positive cash flows after the second year, so operators are expected to continue the service after the disbursement of subsidy payments is completed.

Financial Analysis:

A discount rate of 18% is used as it reflects the expected required return for an investment in the country. If no subsidy were given, the financial internal rate of return would be 4.5%, too low for an investor to be attracted to this project (the net present value using the 18% discount rate is of – US\$2.2 million. The expected subsidy in order to make this project attractive to an investor (that is, to make the internal rate of return equal to the discount rate) is of US\$2.4 million (see Annex 6).

The number of BTS was determined after a field visit to the areas that will be benefited with the project. Population and household information come from the 1998 census, whereas income statistics come from the survey conducted by the National Institute of Statistics in 1999.

The cost of BTS equipment is based on information gathered from companies in other countries. Base stations are expected to be rolled out throughout two years, with an expected lifetime of five years for radio equipment. With respect to investment in access points, it has been assumed that 75% of villages will only require handsets to be made available to access the mobile network. In 15% of cases we have assumed a passive repeater would be required at a cost of \$2,000 per village. In 10% of cases, we have assumed an active repeater would be required at a cost of \$12,000 per village. We also assumed that generally 7 villages would be covered by each BTS.

With regards to revenues, it has been assumed that up to 4 percent of income will be spent on telecommunications services. This number follows previous estimations done by the World Bank, and are assumed to be reached after five years of operation (not all households will use the access point at first).

B.4. Lessons learned and reflected in the project design

Lessons learned to date demonstrate the need to be flexible in the application of OBA approaches, and the importance of a project design that fits within the context of sector reform in each country. For example, bid processes that fix the subsidy, while varying the user contribution/tariff level, tend to be less optimal than vice versa: placing the risk with the provider seems to be more effective. By contributing to the payment of any service, a greater sense of ownership and more effective use of resources are usually engendered. The enabling environment in the chosen locations for an ICT telecoms project also needs to be considered, as does the need to ensure that these locations are "sweet spots", just beyond the fringe of existing commercial operations, but not so isolated or with such low area income that they could not become self-sustaining communications clusters over time.

It is important to establish early, and well before the award of winning bids to Service Provider, that there are no remaining awkward backhaul or interconnect issues that may cause bidders uncertainties in estimating rural service costs, thereby increasing the size of the required subsidies to initiate network services.

Another key lesson is the importance of timing when implementing OBA projects in the ICT sector. Delays between the timing of each phase of the project need to be reduced so that the objectives of the project do not become obsolete in light of a rapidly changing ICT sector. Project planning and the selection of target locations also needs to be undertaken with consultations with industry, to factor in the aggressive ongoing infrastructure investments of existing Service Providers.

B.5. Alternatives considered and rejected

A range of provinces were considered as prospective candidates to represent the complexity of rural Cambodia. Dimensions taken into considerations were: topography, border geography, remoteness, economic activities, population density, per capita income and education levels, and exclusion from telephone service provision. Dependence upon output from agriculture, forestry or fishery were important factors in selecting locations. The sample locations – Battambang, Pursat and BMC – were then chosen to obtain a useful understanding of how a successful initiative could be later replicated across many of the countries rural and remote locations in the northeast, north and southeast.

These sample locations, however, had to be re-selected following consultation with the industry during the auction design phase of the project (May to July 2007). A number of mobile operators indicated that coverage in Battambang and Pursat had improved significantly since 2005 and that they were continuing to invest in those provinces in the next 6-12 months. Operators suggest that there were locations to the north-east of those

provinces that would benefit more from the project. This was confirmed in a field trip to the original locations and the north-east provinces in November 2007.

Further information provided by the MPTC Postmaster in Pursat showed that a majority of villages in Pursat had mobile coverage and districts such as Sampov Meas, Bakan and Krakor were well-served by existing coverage. Coverage in the large Veal Veang district (west-most district in Pursat) was not as good, though Mobitel and TMIC both have base stations there. However, each commune in Veal Veang is quite geographically isolated and three of the five communes have populations of less than 1,000 inhabitants and therefore did not meet the criteria for the target locations as set out above.

After further close investigation and consultation with MPTC, we have concluded that there is a case for installing 1 BTS in the Phnum Kravanh district, namely serving the Phteah Rung and Samraong communes which have a combined population of over 25,500 and currently have little or no coverage. The MPTC also indicated that the Srae Sdok commune in Kandieng district, which has a population of over 11,000, was not currently covered by existing networks because of its distance from Highway 5. Me Tuek in the Bakan district also has low levels of coverage with information from MPTC showing that 10 villages have no coverage. We have therefore identified target communes in Pursat which would be served by 3 BTS for the project and this represents a total of approximately 51,500 people.

A number of technology options were also considered.

Cambodia's main optical fiber cable runs along Highway 5 on the eastern perimeter of the chosen project pilot locations. However, the trunk is not seen as being completely 24/7 reliable or secure. Operators such as Mobitel and Camshin view it as a back-up rather than a first line facility and will do so until it is replaced or up-graded by a newer OFC installation that is buried well below ground level. Most operators are therefore likely to continue to use their own microwave link set-ups and to rely on existing inter-operator agreements for efficient backhauls and interconnections. Furthermore, it is widely accepted that extension of fixed wire services outside Cambodia's main urban locations is unlikely to be economically feasible. It is also presumed that VSAT services will be too costly for most regions and necessary to service only the most difficult to reach and sparsely populated locations, close to Cambodia's frontiers.

Thus wireless services—mobile and fixed wireless—are expected to be the chosen technologies. However, efficiency and effectiveness in technology choices is strictly up to the Service Provider.

C. IMPLEMENTATION

C.1. Milestones for project implementation

The timeline allowed for the project is approximately two years, with the following proposed implementation schedule.

Key Milestones

Activities	Indicative Schedule
GPOBA provides subsidy commitment	April 2008

Activities	Indicative Schedule
Documentation to government for review, including Grant Agreement	May 2008
Bidding documentation to government for review	August 2008
Signature of GPOBA Grant Agreement	August 2008
Launch of Bid	September 2008
Contract Award	December 2008
Project Implementation and Subsidy Disbursement begins	December 2008
Recruitment of Independent Verification Agent	August 2009
Mid-Term Review	June 2010
Recruitment of Independent External Auditor	October 2010
GPOBA Subsidy disbursement ends	December 2011

C.2. Partnership arrangements

No other international agencies are financing this project.

C.3. Institutional and implementation arrangements

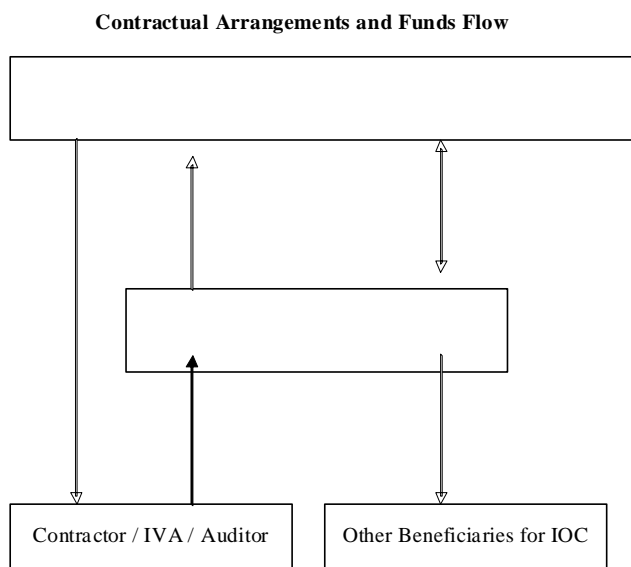
The relationships between the parties to this project will be governed by a contract between the service provider/contractor and the MPTC. The responsibilities are as follows:

- MPTC: (i) Project coordination; (ii) operations manual; (iii) to provide technical inputs/specifications/design for bidding document; (iv) to provide Terms of Reference (TOR) for consulting services; (v) formation of the Procurement Review Committees (PRC)⁷; and (vi) contract administration and execution.
- Independent Procurement Agent (IPA): conducting the procurement process, including (i) preparation of bidding document and inviting bids/proposals, (ii) evaluation and selection of Service Provider/consultants; (iv) assist in negotiating and finalizing contracts for signing by MPTC⁸.
- Management and Administrative support: a consultant may be hired on a needs-basis to provide MPTC with support for project implementation and for fulfilling GPOBA reporting requirements.
- Independent Verification Agent: responsible for output measurement against prescribed criteria, monitoring and evaluation of project elements.
- Independent External Auditor: responsible for review of internal controls in the project and compliance with the financing agreement.
- GPOBA/World Bank: Assistance in development of the overall project concept, and financing for consultancy services and investment subsidy.
- Selected operator: Provide communications service in target locations in accordance with their contract with MPTC.

⁷ For each procurement package, a PRC will be formed in accordance to the Government's Procurement Manual for externally financed projects in Cambodia. Each PRC will be formed within MPTC, and MEF representatives will be invited to become a member of the committee. The role of the PRC is to review and approve documents prepared by the IPA namely, the bidding document, RFPs, and draft contracts, and lead contract negotiations with consultants with assistance of the IPA.

⁸ The IPA will review and finalize the bidding document/RFP including the technical requirement prepared by MPTC with the help of the international consultant and obtain necessary approvals of PRC and WB before proceeding with inviting bids and awarding contracts.

The IPA is expected to take the primary responsibility for carrying out the procurement process up to stage of having the contracts ready for MPTC's signature, while MPTC will provide technical inputs during the procurement process and will be responsible for subsequent contract administration and execution.



Independent Verification

The MPTC will appoint a qualified person to serve as an Independent Verification Agent for the package to be implemented under this program. This agent shall:

- Review the compliance reports submitted by the Service Provider, and advise MPTC on their completeness and appropriateness;
- Conduct site visits to selected service installations to evaluate the status and quality of the basic voice service and public access facility, including both technical functionality and service delivery to end users;
- Obtain and review usage and financial reports from Service Provider in relation to the required service installations, and validate results against the progress reports and contract obligations;
- Provide certification to MPTC of the Service Provider compliance with their contract obligations, to authorize payment milestones; alternatively, withhold such certification, explaining reasons for non-compliance, and measures necessary to mitigate any problems encountered;
- Evaluate the impact and extent of any extenuating circumstances, including force majeure that may affect operator compliance, and advise MPTC on such circumstances and the appropriate response.

Reports by the Independent Verification Agent shall be provided simultaneously to MPTC and to GPOBA/World Bank for a maximum of 5 working days' review before authorization of disbursement.

C.5. Sustainability

Sustainability has been factored into the project design in several ways:

- Subsidies are one-off investment subsidies, and not for consumption
- Winning bidders will co-invest about 50 percent of construction costs of the BTS towers
- Government of Cambodia has expressed interest to scale-up the OBA approach if the first pilot delivers positive results.

C.6. Critical risks and possible controversial aspects

Risk	Mitigation	Rating
Failure of the OBA subsidy bidding process to produce bids on all sites	Consultations with winning bidders on other sites to recognize their reasons for not offering to bid on the ignored sites, and what is required to stimulate their participation in a re-bidding. (Operators have been consulted throughout the planning process and operators have indicated a willingness to participate.)	Medium
Selection of non-acceptable or technically unreachable sites.	Circulation for comment to pre-qualifiers, prior to bidding, of site and village location lists for comment and adjustments. (Target locations have been verified to be unserved or underserved during a field trip in November 2007, as well as interviews with operators.)	Low
Affordability and willingness to pay for new phone services by the poor and very poor.	The project does not depend on users being subscribed. It uses small unit pre-paid cards to stimulate use with very small one-time outlays. It depends on the successful bidder/operator undertaking marketing to sell ULCH and low cost SIM cards bundled with giveaways to get service use results.	Low
Measurement and	The Service Provider will be required each month to record	Medium

monitoring of service quantity and access availability.	incoming and outgoing call minutes from targeted locations and each new public access point and to ensure through market mechanisms that traffic achieves certain pre-set norms. Verification and audit functions to be preformed by external agents.	
Selection of distribution channel(s)	Selection of the distribution channel(s) through which to deliver services will be the responsibility of the Service Provider and based upon the usual market criteria of performance.	Low
Service doesn't conform to the voice or inter-operability of service standards of the mobile operators network as a whole	Monitoring of service quality will be the responsibility of MPTC and monitored twice a year, unless faults are specifically notified to MPTC by users.	Low
Payment of outputs	Payment of outputs to be made directly from GPOBA to the Service Provider.	Low
Inconsistency with existing mobile operator licenses	Although the licenses are at national level they are granted to various operators all of whom have an opportunity to bid for the proposed project.	Low
Sustainability	The project targets locations are perceived to be not commercially attractive. By subsidizing entry into these markets, the average revenue per unit (ARPU) costs can be carried at lower levels, thus ensuring medium to long term sustainability.	Medium

Annex 1. Project Costs Schedule

Component	Local US\$ million	Foreign US\$ million	Total US\$ million
Project Subsidy:			
Voice telephony (Window 3)		\$2,375,957	\$2,375,957
Consulting Services⁹:			
(i) Management and Administrative support to Implementing Agency (Window 3)		(i) \$10,000	\$115,000
(ii) Independent External Auditor (Window 3)		(ii) \$35,000	
(ii) Independent Verification Agent (Window 3)		(ii) \$70,000	
Incremental operating costs (IOC)		\$10,000	\$10,000
Bank supervision for subsidy		\$124,638	\$124,638

⁹ The International Procurement Agent fee included in the previous project cost table will be covered by a separate grant awarded to the Ministry of Economy and Finance (MEF).

implementation			
TOTAL GPOBA Funding			\$2,625,595

Annex 2: Financial Management and Disbursement Arrangements

1. Summary of the Financial Management Assessment

Overall, the project financial management risk assessed is low. The main risk of the project is related to the weak overall country environment control, especially related to the process of selection of operator. However, this process will be undertaken by an Independent Procurement Agent. In addition, the design of the project whereby more than 99% of grant proceeds will be made via direct payment, especially payments to operators will be made only upon specified output of the project delivered and verified by an Independent Verification Agent, contributed to lessening the project risk. A qualified MPTC staff will be appointed to handle the day-to-day admin and finance tasks including the preparation of the withdrawal applications. Under these agreed implementation arrangements, the project financial management arrangements are considered adequate to meet the World Bank's minimum requirements.

2. Risk Analysis

The Ministry of Posts and Telecommunications of Cambodia (MPTC) will be the implementing agency for the project. MPTC has no experience in implementing the Bank-funded project, but other donors-funded project. However, the project is to be executed entirely by a private sector entity through a least subsidy competitive process. The main risk of the project is related to the weak overall country environment control, especially related to the process of selection of operator. The GPOBA/WB, therefore, having the international consultant hired under the GPOBA Window I project to assist in the preparation of technical requirements and inputs for of bidding documentation for the output-based subsidy. Procurement activities will be carried out by the International Procurement Agent (IPA) on behalf of MPTC. The IPA is expected to take the primary responsibility for carrying out the procurement process up to stage of giving the contracts ready for MPTC's signature, while MPTC will provide technical inputs during the procurement process and will be responsible for subsequent contract administration and execution. The subsidy amount will be payable against prescribed outputs. Once the report is submitted by the operator, it will be verified by an Independent Verification Agent, and the payment will be done via direct payment. Very minimal funds (an Incremental Operating Cost (IOC) of about US\$10,000) will be provided by GPOBA for payments of small expenditures, such as office supplies, one computer and office equipment, communications, office administration costs, utility charges, domestic travel and Daily Subsistence Allowance (DSA) in connection with the supervision of the Project, but excluding salaries of officials of the Recipient's civil service. Items under the IOC will be pre-financed by MPTC and reimbursed from the GPOBA, all other expenditures (more than 99% of project proceeds) will be made via direct payment. All the above contributed to lessening the project risk to low.

Based on the above risk, below are the proposed risk mitigation measures to mitigate the project risk.

Risk		Risk Rating	Risk Mitigating Measure
1	MPTC has no experience with Bank-funded project.	M	(1) a qualified MPTC staff may be appointed to handle both administrative and finance tasks, including the preparation of the withdrawal applications. (2) WB to provide training on Bank policy and procedures on FM and disbursement during project launch workshop.

2	Weak financial control environment as limited segregation of duties.	M	(1) all payments will be made via direct payments with full supporting documentation. The subsidy payments will be made upon verification of specified outputs. (2) an independent auditor to be appointed to audit the Project Financial Statements.
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3. Implementation Arrangement

The MPTC is responsible for: (i) Project coordination; (ii) operations manual; (iii) to provide technical inputs/specifications/design for bidding document; (iv) to provide Terms of Reference (TOR) for consulting services; (v) formation of the Project Review Committees (PRC)¹⁰; and (vi) contract administration and execution. The Independent Procurement Agent (IPA): (i) preparation of bidding document; (ii) preparation of TOR for consulting services; (iii) selection of Service Provider and consultancies; (iv) assist in negotiating and finalizing contracts for signing by MPTC¹¹.

4. Staffing

The MPTC has no experience in implementing the Bank-funded project, but has successfully implemented other donor-funded projects. Initially, existing staff of MPTC will undertake financial management and administrative duties with intensive training provided by Bank staff during the Project launch on Bank financial management policy and procedures and disbursement arrangements, to ensure that simple accounting books and proper supporting documents are maintained and filed for subsequent review and audit. After six months of Project implementation, if either MPTC or the Bank decide that management and administrative support is required for existing MPTC staff, provision is made in the Project budget for the recruitment of a qualified individual consultant to be responsible for project coordination, simple bookkeeping, disbursement and preparation of Withdrawal Application, and annual financial statements. The consultant would be required to have an accounting background so that he/she can maintain the project accounting books and ensure that proper supporting documents are maintained and filed.

5. Accounting Policy and Procedure

The project's accounts and records would be maintained in accordance with the acceptable accounting standards and practices and with RGC government regulations and procedures. Due to minimal transactions, the project accounts will be maintained manually by using Excel spreadsheet. Simple contract register will be maintained to keep track of how much funds have been paid to the service provider.

No separate accounting manual would be prepared for the proposed project. The Standard Operating Procedures (SOP) and the Financial Management Manual (FMM) for WB/ADB financed projects, which were developed in 2005 and issued by Sub-Decree in February 2007 will be followed and applied instead.

¹⁰ For each procurement package, a PRC will be formed in accordance to the Government's Procurement Manual for externally financed projects in Cambodia. Each PRC will be formed within MPTC, and MEF representatives will be invited to become a member of the committee. The role of the PRC is to review and approve documents prepared by the IPA namely, the bidding document, RFPs, and draft contracts, and lead contract negotiations with consultants with assistance of the IPA.

¹¹ The IPA will review and finalize the bidding document/RFP including the technical requirement prepared by MPTC with the help of the international consultant and obtain necessary approvals of PRC and WB before proceeding with inviting bids and awarding contracts.

6. Funds Flow and Disbursement Arrangement

Allocation of GPOBA Proceeds. The GPOBA proceeds of \$2.50M will be disbursed over a 3 year period. Disbursement will be against the following expenditure categories: Output-based aid contract (\$2.37M), Consultants' Services (\$115K), and incremental operating cost (\$10K).

Subsidy Payment. Under the GPOBA grant, the payment of subsidy will be made towards output-based disbursement via direct payment procedure. Disbursement from the Grant will be based on the submission of full documentation / copies of accounting evidence (including reports from the operator certified by the Independent Verification Agent) along with the Withdrawal Applications.

The structure of disbursements is envisaged as follows (subject to the finalization of recommendations by the consultants who are preparing the bidding documents):

- 10% of contract amount upon contract award;
- 30% of contract amount upon successful provision of network coverage in 50% of target locations and installation of public access points in 40% of target locations;
- 30% of contract amount upon successful provision of network coverage in 100% of target locations and installation of public access points in 80% of target locations;
- 30% of contract amount upon supervision of all target locations to check upon network coverage, existence of public access points with active network access, and availability and quality of service.

Following the initial payment, all subsequent payments will be made only upon verification of the operator's performance in constructing the facilities and commissioning the services according to technical, operating and quality of service specifications. Verification is to be done by an Independent Verification Agent on behalf of the Regulator MPTC, by validating outputs and issuing a no-objection opinion to the MPTC for payment to the operator/contractor.

Payment of IOC. The Incremental Operating Costs (IOC) will be pre-financed by MPTC and reimbursed later from the GPOBA. All other payments will be made via direct payments. MPTC will be responsible for preparing the application for withdrawal to be submitted to the Bank. All documentation for expenditures submitted for disbursement will be retained at the implementing unit and shall be made available to the auditor for audit and to the Bank and its representatives if requested.

7. Internal Controls

Due to limited no. of staff, it is very difficult to undertake a proper segregation of duties to ensure that different people perform different responsibilities such as bank reconciliation is undertaken on a monthly basis by someone other than the one who makes or approves payments, etc. The compensating control will be all payments be done via direct payments with full supporting documentation. The outputs of the project upon which GPOBA subsidies to be disbursed will be certified by the Independent Verification Agent, appointed by MPTC with a "no objection" from the GPOBA.

9. Audit Arrangement

Internal Audit. The Internal Audit department of MPTC was recently established and currently staffed with 11 personnel. To address financial risks and to provide management with advice on the effectiveness of financial systems and internal controls of the project, it is recommended that

MPTC makes arrangements for the project to be included in the program of review by its Internal Audit department and that the audit findings from review of the project be provided to the Bank.

External Audit. The project duration is about three years, but there would be few disbursement transactions (4 times each for the operator and Independent Verification Agent, and some for IOC), therefore, only one audit is required for the whole project life. An independent auditor, acceptable to the Bank, will be required to audit in accordance with International Standard on Auditing, under terms of reference satisfactory to the Bank. The audit TOR will require the auditor to undertake a review of internal controls in the project and compliance with the financing agreement. The auditor will also be required to issue a Management Letter which will: (a) identify any material weakness in accounting and internal control; (b) report on the degree of compliance of financial covenants of the financing agreement; and (c) communicate matters that have come to the attention of the auditors which might have a significant impact on the implementation of the Project. The audit report is required to be submitted to the Bank within 6 months after the end of the project. Audit fee will be paid out of project funds as an eligible expenditure.

Annex 3. Procurement

1. General

Procurement for the proposed project would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 revised October 1, 2006; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 1, 2006, and the provisions stipulated in the Grant Agreement. Guidance for implementing the Procurement and Consultant Guidelines is provided in the Kingdom of Cambodia's Externally Assisted Project Procurement Manual: Goods, Works and Services, issued under Sub-Decree 14 dated February 26, 2007, on Promulgating of the Standard Procedure for Implementing the World Bank and the Asian Development Bank Assisted Projects. The various items under different expenditure categories are described in general below. For each contract to be financed by the Grant, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Recipient and the Bank in the Procurement Plan. The Procurement Plan will be updated at least every six months or as required to reflect the actual project implementation needs and improvements in institutional capacity.

Procurement of Output-Based Schemes: This will include contract for provision of voice telephony to low income families in remote rural areas. The GPOBA grant funds will be used for providing subsidy, through competitively procured output-based contracts, to create sufficient economic incentives for operators to provide network coverage and public access points in the remote locations. The contract will be procured through International Competitive Bidding (ICB) procedures. Since the Bank does not have standard bidding documents for this type of procurement, the Bidding Documents will be prepared by the Recipient in consultation with the Bank and must be satisfactory to the Bank. Domestic preference will not be provided. The evaluation criteria will be based on the general principle that the contract will be awarded to the qualified bidder that is substantially responsive to the requirements of the bidding documents and offers to carry out the contract with the minimum financing (lowest subsidy) from the Government.

Selection of Consultants: Consulting services under this Project will include services to be provided by firms and individual consultants, such as: (i) Management and Administrative support; (ii) Independent External Auditor and (iii) Independent Verification Agent. Short lists of consultants for services estimated to cost less than US\$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.

Consultant Services requiring employment of consultant firms would be procured mostly through the Quality and Cost Based Selection (QCBS) method, whereas the Quality Based Selection (QBS), Fixed Budget Selection (FBS) and Least Cost Selection (LCS) methods may also be used where appropriate in accordance with the circumstances described in the Consultant Guidelines. . If appropriate, the Selection Based on Consultants' Qualifications (CQS) method may be used for consulting services estimated to cost less than \$50,000 equivalent. Individual consultants would be selected in accordance with the provisions of paragraphs 5.1-5.4 of the Consultant Guidelines. For all contracts for selection of firms, the Bank's Standard Request for Proposals will be used.

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

This will be MPTC's first implementation of a World Bank-financed project. They do not have knowledge and experience in the Bank's procurement procedures. International consultants have

been hired under the GPOBA Window I project to assist in the preparation of technical requirements and inputs for preparation of bidding documents for the output-based subsidy. Procurement activities will be carried out by the Independent Procurement Agent (IPA) on behalf of MPTC.

The IPA has been contracted by MEF to carry out, on behalf of the respective project implementing agencies, procurement for selected World Bank-financed projects in Cambodia, which will include the proposed GPOBA project. The IPA is expected to take the primary responsibility for carrying out the procurement process up to stage of having the contracts ready for MPTC's signature, while MPTC will provide technical inputs during the procurement process and will be responsible for subsequent contract administration and execution. The IPA will review and finalize the technical requirements and bidding documents prepared by the international consultants and obtain necessary approvals before proceeding with inviting bids.

An assessment of the capacity of the Implementing Agency (MPTC) to implement procurement activities under the Project has been carried out as part of the project preparation. The assessment reviewed the organizational structure and capacity for implementing the project procurement and full reports will be available in the project files.

The main procurement-related issues and risks identified include: the generally weak fiduciary environment in the country, inadequate capacity of MPTC in undertaking procurement in general and the World Bank's procurement procedures in particular, and procurement delays. To mitigate the high risk it has been agreed that (a) international consultants would assist in the preparation of technical requirements and inputs for bidding documents for the output-based-aid services; (b) output-based-aid contracting arrangements will be adopted, with significant investment contribution by the Operators and direct payment of the subsidy by GPOBA upon verification of specified outputs by an Independent Verification Agent hired under the project for MPTC, (c) International Competitive Bidding (ICB) procedures will be used, (d) the procurement process will be carried out, on behalf of MPTC, by the IPA contracted by MEF and paid from a separate Grant; and MPTC will provide technical inputs during the procurement process, (e) all contracts will be subject to prior review, and (f) procurement plans will be closely monitored and there will be regular supervision and follow up by the Bank.

In addition, MPTC and the IPA will follow a good governance framework during the procurement process, including but not limited to the following: (a) enhancing transparency through greater public disclosure of procurement related information (such as procurement plans, bidding documents and RFPs, consultant long-lists and short-lists, and contract awards); (b) complying with the procurement complaint handling procedures and sanction requirements as set forth in the existing Government rules and regulations, (c) involvement of project beneficiaries in bid opening proceedings, and (d) integrity pledges by staff involved in the procurement process and by suppliers, contractors and consultants, etc.

With the incorporation of the mitigation measures into the procurement implementation arrangements, the overall project risk for procurement is rated as "Substantial".

A. Procurement Plan

The Recipient will develop a detailed Procurement Plan for project implementation which provides the basis for the procurement methods. The Procurement Plan will be reviewed, finalized and agreed upon by the Bank prior to the signing of the Grant Agreement. It will also be available in the Project's database and in the Bank's external website. The Procurement Plan will be updated on a six-monthly basis or as required to reflect the actual project implementation needs and improvements in institutional capacity.

B. Frequency of Procurement Supervision

It is recommended that the first procurement supervision mission be carried out three (3) months after effectiveness and every six months thereafter. Ex-post review of contracts not subject to prior review, if any, would be included in the ex-post review program which will be carried out by the Bank.

C. Details of the Procurement Arrangement involving international competition.

1. Goods and Works and non consulting services.

(a) List of contract Packages which will be procured following ICB and direct contracting:

1	2	3	4	5	6	7	8
Ref. No.	Contract (Description)	Estimated Cost (US\$ '000)	Procurement Method	P-Q	Domestic Preference (yes/no)	Review by Bank (Prior/Post)	Expected Bid-Opening Date
1	Voice Telephony	2,376	ICB	No	No	Prior	October 29, 2008

(b) All contracts will be subject to prior review by the Bank.

2. Consulting Services.

(a) List of Consulting Assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$ '000)	Selection Method	Review by IDA (Prior / Post)	Expected Proposals Submission Date	Comments
1.	Management and Administrative support to Implementing Agency	10	IC	Prior	November 4, 2008	
2.	Independent External Auditor	35	LCS	Prior	August 3, 2010	
3.	Independent	70	IC	Prior	August 4,	

	Verification Agent				2009	
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- (b) All Consultancy services contracts for firms and individuals will be subject to prior review by the Bank.

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.

Annex 4. Environmental and Social Safeguards

Potential environmental and social impacts from the proposed investments are likely to be minimal, mostly construction related and localized. Therefore, in lieu of a full fledged Environmental and social safeguards policy, the project proponent developed Environmental and Social Management Framework (ESMF) covering mitigation measures for Environmental Management Plan (EMP) and Land Acquisition Policy Framework (LPF).

2.1. Environmental Management Plan

All possible environmental issues can be effectively avoided providing that the project takes into consideration through the EMP at the pre-site selection criteria and design phase. All mitigation measures should not only be taken in dealing with potential environmental issues but also be used as guide to make the project more environmentally sound. The EMP covers the following key elements at minimum:

- ⌚ site selection criteria - avoid or minimize destruction of natural habitats, culturally significant sites, and environmentally sensitive locations;
- ⌚ standard mitigation measures for construction related impacts -- adopt sound engineering design; minimize dust, noise, soil erosion; ensure proper construction waste management; implement safety procedures;
- ⌚ monitoring program - supervision by qualified staff
- ⌚ public notice – to provide advance inform the local population of upcoming project activity; and
- ⌚ sources of electricity - to evaluate impacts of alternatives for sources of electricity (use of solar panels, disposal of used batteries, emissions from diesel generators).

The EMP is to serve as an implementation guideline to overcome environmental concerns caused by the project. The potential adverse issues should be avoidable through good site criteria, environment friendly construction materials, construction supervision methods, and (hazardous and non-hazardous) waste management techniques. It thus takes into account different phases of the project implementation including project design, site construction, and operation.

The proponent will ensure to attach the EMP into bidding documents, with an appropriate clause to ensure compliance/enforcement of the EMP before and during the construction of telephony towers.

Land Acquisition Policy Framework (LPF)

Though the project will most likely require land for constructing towers, it is not perceived to have any major issue with neither land acquisition nor resettlement. The project should

follow/abide by the practice of commercial purchase transactions between the project and affected persons for land acquisition.

Where local villagers select/choose to make voluntary contribution of land acquired for construction without compensation, this should be acceptable only for marginal potential impacts (without causing any displacement or impact on livelihood structure and with remaining assets viable for continued usage). Acquisition of land for constructions would be obtained through transparently voluntary offer (with no coercion or cheating). Land Acquisition Plan should be developed and carried out with proper consultation with affected and potentially affected people and local authority. In the incident of land acquired for construction affects livelihood of or falls to the property of indigenous people, OP. 4.10 shall be fully followed/abided by. The project will fully comply with land acquisition policy as described in OP. 4.12.

Annex 5. Sector Summary

Cambodia Telecoms Market Participants, 2007

<i>Market Segment</i>	<i>Structure</i>	<i>Main Providers</i>	<i>Estimated Market Share, 2007*</i>
Mobile	Competition	Mobitel 012 (Millicom) Camshin (Cambodia Shinawatra) HelloGSM (TMIC) Starcell (Applifone) Viettel-START-UP 2008 Cadcomms (Telenor) – START-UP 2008	65 percent 17 percent 13 percent n.a. n.a. n.a.
Fixed-line Local Access	Fixed-line monopoly in two urban service locations, but subject to intense local competition from mobile service operators	Telecoms Cambodia [2006] , TC services main urban locations; Camshin offers some fixed-line access; and Camintel provides fixed wire in a few provincial towns and some rural locations. It is the ILD operator. TC has been accused of charging too high fees for the use of its national OFC trunk system.	

International	Partially competitive; two gateways, plus regulated and un-regulated VOIP competition	TC	23 percent*
		Tele2	53 percent*
		VOIP operators	24 percent*
Data and ISP		Mobitel	37 percent
		Camshin	25+ percent
		Cogetel	25 percent
		Camnet	15+percent
		Others (including Online)	n.a.

* e--estimates, note that market share data in this table for mobile were estimated using Millicom, TM and Shin Corporation's publicly reported information and information provided by operators in 2007. Other market shares were provided by the General Manager of Mobitel. International market shares are 2004 data.

Annex 6. Economic Analysis

Economic and social benefits

This project aims to provide a tool to poor rural households to gain greater access to information and knowledge sources. Public access points in towns with no previous coverage will allow villagers access to: market prices, job opportunities, resources for agronomy and fishery, tracking of remittances from migrant family members, new business contacts, access to government programs and services; and speedier calls for emergency responses. Economic benefits include better integration of rural producers into the cash economy; higher margins for local producers as they become aware of prices elsewhere, economic integration with other regions and nearby locations, less waste in unsold fisheries and fresh food products, and improved opportunities for alternative financing sources, among others; all of which increase rural productivity and household income. Health benefits from improved communications can include easier access to a variety of specialists and prescriptive drugs, improved information about public health practices and avoidance of communicable diseases such as TB and HIV AIDS, and faster emergency health responses. These benefits and others will help to lessen the widening income gap between Cambodia's rural and urban locations.

A financial and economic model has been prepared to assess the net economic benefit of the project and the expected subsidy under a conservative scenario. The following table summarizes the results from the model:

Figure 6.1 Financial and Economic Analysis – Main Results

Discount Rate	18%
Financial IRR (before subsidy)	4.5%
Net Present Value @ 18%	-2,194,740
Expected Subsidy	2,375,957
Net Present Value (after subsidy)	0
Financial IRR (after subsidy)	18%
Economic IRR	71%

A discount rate of 18% is used as it reflects the expected required return for an investment in the country. If no subsidy was given, the financial internal rate of return would be of 4.5%, too low for an investor to be attracted to this project (the net present value using the 18% discount rate is of –US\$2.2 million. The expected subsidy in order to make this project attractive to an investor (that is, to make the internal rate of return equal to the discount rate) is of US\$2.4 million.

The economic internal rate of return is of 71%, which suggests that the subsidy is convenient for society as the benefits it generates offset the amount of the subsidy required. The operation has positive cash flows after the second year, so operators are expected to continue the service after the disbursement of subsidy payments is completed.

A more detailed description of the model and its main assumptions is provided in the following sections.

Main Assumptions

The following chart describes the main assumptions used in the model:

Figure 6.2 Main assumptions

Investments

Number of Towers	33
Villages covered per Tower	7
Persons to be connected	261,000
Households to be connected	52,200

Investments per Tower	Cost (US\$)
Mast	10,000
Shelter	15,000
Fence and Yard	5,000
Civil and mechanical works	15,600
Power / air conditioning	20,000
Land (est.)	11,000
BTS equip. / mw transmission	35,000
Mark-up for lower purchasing power	5%
Rollout (years)	2

Access point CAPEX

	Cost	% of villages
Cost of handset	30	
Require passive repeater	2,000	15%
Require active repeater	12,000	10%
Lifetime (Yrs.)	5	
% of initial investment that is replaced	49%	

Revenues and Operations Costs

Monthly income per household	82 per month
% of income spent on telecommunications	4.0%

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenues (as a % of Max. Potential)	20%	40%	60%	80%	100%
Operations Costs (% of CapEx)	20%				
Income Taxes	19%				

Economic Benefits

A. Saved Time

Reduced time to make a phone call / HH / day	0.25 Hours
Phones call per day / HH (average)	1

People working per household	2
Days worked per year	312
Average salary per hour	\$0.20
Discount	50%

B. Economic Multiplier

Multiplier on household income	2.50%
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The number of BTS was determined after a field visit to the areas that will be benefited with the project. Population and household information come from the 1998 census, whereas income statistics come from the survey conducted by the National Institute of Statistics in 1999.

The cost of BTS equipment is based on information gathered from companies in other countries. Base stations are expected to be rolled out throughout two years, with an expected lifetime of five

years for radio equipment. With respect to investment in access points, it has been assumed that 75% of villages will only require handsets to be made available to access the mobile network. In 15% of cases we have assumed a passive repeater would be required at a cost of \$2,000 per village. In 10% of cases, we have assumed an active repeater would be required at a cost of \$12,000 per village. We also assumed that generally 7 villages would be covered by each BTS.

Since not all of the original infrastructure needs to be replaced and prices are expected to decrease, only 49% of the original investments are expected to be required after the fifth year. Operations expenses are assumed to be 20% of the original investment. This number is an industry standard and is maintained throughout the period.

With regards to revenues, it has been assumed that up to 4% of income will be spent in telecommunications services. This number follows previous estimations done by The World Bank, and are assumed to be reached after five years of operation (not all households will use the access point at first).

With these assumptions, a cash flow for the operation was estimated¹²:

Figure 6.3 Cash Flow Analysis

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
New Installed Towers	17	17	0	0	0	0	0	0	0	0	0
Total villages served		116	231	231	231	231	231	231	231	231	231
Households covered		26,100	52,200	52,200	52,200	52,200	52,200	52,200	52,200	52,200	52,200
Towers	1,933,470	1,933,470	0	0	0	952,875	952,875	0	0	0	0
Access Point	176,715	176,715	0	0	0	87,091	87,091	0	0	0	0
Total Investments	2,110,185	2,110,185	0	0	0	1,039,966	1,039,966	0	0	0	0
Revenues		205,459	821,837	1,232,755	1,643,674	2,054,592	2,054,592	2,054,592	2,054,592	2,054,592	2,054,592
Costs		422,037	844,074	844,074	844,074	844,074	844,074	844,074	844,074	844,074	844,074
EBITDA	0	-216,578	-22,237	388,681	799,600	1,210,518	1,210,518	1,210,518	1,210,518	1,210,518	1,210,518
Depreciation		422,037	844,074	844,074	844,074	844,074	630,030	415,986	415,986	415,986	415,986
Earnings before taxes	0	-638,615	-866,311	-455,393	-44,474	366,444	580,488	794,532	794,532	794,532	794,532
Taxes	0	0	0	0	0	0	0	0	100,928	150,961	150,961
Net Operating Profits after Taxes	0	-638,615	-866,311	-455,393	-44,474	366,444	580,488	794,532	693,603	643,571	643,571
Free Cash Flow	-2,110,185	-2,326,763	-22,237	388,681	799,600	170,552	170,552	1,210,518	1,109,590	1,059,557	1,059,557
memo: subsidy payments	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Subsidy	1,187,979	1,187,979	0	0	0	0	0	0	0	0	0
Free Cash Flow (after subsidy)	-922,206	-1,138,784	-22,237	388,681	799,600	170,552	170,552	1,210,518	1,109,590	1,059,557	1,059,557
Net Present Value w/o subsidy @ 18%	-2,194,740										
Internal Rate of Return w/o subsidy	4.5%										
Expected Subsidy	2,375,957										
Net Present Value w/subsidy @ 18%	0										

It is important to note that the operation is expected to have a positive cash flow after the second year.

For the economic analysis, two different factors were included: (i) the savings in time due to the availability of a public access point and/or a personal phone; and (ii) the increase in income that telephony would bring to the benefited areas.

Savings in time. On average, it was estimated that each household saved 15 min. daily. To calculate the opportunity cost of this time, an estimation of 312 working days per year was taken. Additionally, a 50% discount was applied due to the low opportunity cost compared to the average salary of a villager.

¹² It has been assumed that an existing operator will be providing the services, so no overhead costs have been included.

Increase in income. It was assumed that on average household income would increase by 2.5%, and accounts for the increase in productivity, margins and new job opportunities that telephony will bring to the area.

Taking into account these two effects, along with the estimated expected subsidy for the project, the economic analysis is as follows:

Figure 6.4 Net Economic Benefits

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Households covered	0	26,100	52,200	52,200	52,200	52,200	52,200	52,200	52,200	52,200	52,200
A. Save time											
Time saved by households (hrs.)	0	2,035,800	4,071,600	4,071,600	4,071,600	4,071,600	4,071,600	4,071,600	4,071,600	4,071,600	4,071,600
Opportunity cost of time saved	0	200,644	401,288	401,288	401,288	401,288	401,288	401,288	401,288	401,288	401,288
B. Multiplier Effect											
Income from households covered	0	25,682,400	51,364,800	51,364,800	51,364,800	51,364,800	51,364,800	51,364,800	51,364,800	51,364,800	51,364,800
Increase in income due to project	0	642,060	1,284,120	1,284,120	1,284,120	1,284,120	1,284,120	1,284,120	1,284,120	1,284,120	1,284,120
Economic Benefits from Project	0	842,704	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408
Subsidy Payment	1,187,979	1,187,979	0	0	0	0	0	0	0	0	0
Net Economic Benefits	-1,187,979	-345,275	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408	1,685,408
Economic Rate of Return	71%										

Finally, it is important to highlight the fact that the tender is expected to attract more than one provider in the country (there are currently six providers operating in the country), so competition for the subsidy should maintain the actual subsidy request within the limit indicated by this model.

Annex 7. Project Preparation and Supervision

A. Institutions responsible for project preparation:

- 1) GPOBA c/o World Bank
- 2) Ministry of Post and Telecommunication of Cambodia (MPTC)

B. GPOBA/World Bank Team:

Core Team:

Name	Title	Unit
Natasha Beschornor	Task Team Leader, Senior ICT Policy Specialist	CITPO
Cledan Mandri-Perrot	Sr. Infrastructure Specialist	FEU/GPOBA
Naomi Halewood	Co-TTL, Operations Analyst	CITPO
Joshua Gallo	Infrastructure Specialist	FEU
Arturo Muentekunigami	ETC (rural telecommunications specialist)	CITPO
Juan Navas-Sabater	Senior Telecommunications Specialist	CITPO
Rajendra Singh	Senior Regulatory Specialist	CITPO
Kashmira Daruwalla	Senior Procurement Specialist	CITPO
Ahsan Ali	Senior Procurement Specialist	EAPCO
John Richardson	Governance Specialist (Consultant)	EAPCO
Sokunthea Sok	Procurement Assistant	EAPCO
Kannathee Danaisawat	Financial Management Specialist	EAPCO
Bunlong	Environmental	EASES

Leng Vanna Nil	Specialist Social Development Specialist	EASSO
Roch Leves que	Senior Counsel	LEGEA
Maria Lourd es Pardo	Consultant	LEGES
Gilbert +Tobi n	Telecommunications Consulting Law Firm	External

Advisory team:

Name	Title	Role	Unit
Patricia Veev ers- Carte r	Program Mana ger	Peer R e v i e w / A d v i s o r y	FEU/GPOBA
Irving Kucy nski	Panel of Exper ts	Review/Advisory	GPOBA
Alejandro Jadre sic	Panel of Exper ts	Review/Advisory	GPOBA
Iain Menz ies	Sr. Infras tructu re Speci alist	Peer R e v i e w / A d v i s	FEU/GPOBA

		o r y	
Lars Johan nes	operations Analy st	Peer R e v i e w / A d v i s o r y	GPOBA

C. Project Preparation Costs

Committed expenditures as of May 2008 for project preparation: US\$491,737 (including all external consultancies).

Annex 8. Documents in the Project File

- (a) Telecom Cambodia Sub-decree, Kingdom of Cambodia (2005)
- (b) Telephone Interconnection Regulation, Minister of Posts and Telecommunications (2003)
- (c) Joint Venture Agreement for the Rehabilitation and Expansion of the Ex-UNTAC Telecommunications Network in the Kingdom of Cambodia, between MPTC and Indosat
- (d) Statistical Yearbook 2006, National Institute of Statistics (Ministry of Planning Cambodia)
- (e) General Population Census of Cambodia 1998, National Institute of Statistics (Ministry of Planning Cambodia)
- (f) Commune Database 2005, SEILA Programme
- (g) Prime Investment Information in Cambodia (Provinces-Cities), Council for the Development of Cambodia
- (h) Food Security Atlas of Cambodia, United Nations World Food Programme
- (i) Cambodia Human Development Report – Expanding Choices for Rural People, UNDP (2007)
- (j) “Cambodia: Options for Rural Telecommunications Development” by Arno Wirzenius (2002)
- (k) “Bringing Cellular Phone Service to the Rural Areas: Grameen Telecom and village pay phones in Bangladesh” by Cina Lawson and Natalie Meyenn (2000)

Annex 9. Good Governance Framework - DRAFT

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring
1.	Element 1: Procurement			
1.a	Need for procurement through the IPA to reduce risk of irregularities.	<p>Unless otherwise agreed between the RGC and the WB, the RGC shall use the services of an International Procurement Agent (IPA) engaged by MEF under TOR satisfactory to IDA for all procurement under the Project.</p> <p>IPA will finalize bidding documents in accordance with the WB's Procurement and Consultant Guidelines and the provisions of the Financing Agreement, including guidance provided under Standard Operating Procedure for Implementing Externally Assisted Projects including Procurement Manual (SOP/PM), mandated by Sub-Decree No. 14 of February 26, 2007. IPA will call and evaluate bids and recommend award. MPTC may provide technical input to IPA for evaluation of bids from service providers.</p>	<p>MEF. Done.</p> <p>IPA with MEF oversight. Prior review by WB of every contract.</p>	<p>IPA commenced work on December 3, 2007.</p> <p>Reflect in grant agreement. Supervision of IPA by the Government's Inter-Ministerial Procurement Committee. First WB procurement review 3 months after effectiveness and every 6 months thereafter.</p>
1.b	Need for technically satisfactory designs for an output-based telephony service contract.	International consultants have prepared design, technical specifications and inputs for draft bidding documents for IPA to finalize.	WB under GPOBA "window 1" financing. WB NOL to final design.	WB NOL prior to IPA preparing bidding documents.
1.c	Inadequate or delayed Procurement Plans.	Preparation of realistic annual Procurement Plan based on annual work plan and budget.	MPTC with WB NOL.	Agree first year Plan prior to grant signing. Plan will be updated at six-monthly intervals with WB NOL.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring
2.	Element 2: Financial Management (FM)			
2.a	Strengthen internal controls.	Ensure that project uses SOP/FMM, there will be no project-specific FM manual for this project.	MPTC to ensure compliance.	Mandate use of SOP/FMM in grant agreement. WB to monitor during FM supervision missions.
2.b	Possible need to strengthen FM capacity for the project.	<p>Initially, MPTC will designate FM and administrative support staff to be responsible for project coordination, bookkeeping, preparation of withdrawal applications, and preparation of annual financial statements.</p> <p>WB to provide training to designated officers on FM policy and procedures during project launch workshop.</p> <p>MTPC and the WB will review the efficiency of Project FM and administration six months after commencement. If deemed necessary be either MPTC or WB, a qualified national consultant with accounting qualifications and experience will be recruited to strengthen capacity.</p>	<p>MPTC.</p> <p>WB.</p> <p>MPTC and WB. If consultant is required, MPTC to prepare and agree TOR with WB. IPA to recruit consultant with WB no objection during process.</p>	<p>Staff to be designated by effectiveness.</p> <p>During project launch mission.</p> <p>Review acceptable standard of FM and administration six months after Project commencement. If required, consultant to be in place four months thereafter.</p>
2.c	External audit.	One external audit report required not more than six months after project completion. Adopt TOR for external audit as already agreed between MEF/WB with greater emphasis on internal controls.	MEF to confirm that the project will be included in a future audit bundle contract.	MEF to recruit auditor with WB NOL in time for audit at project completion, expected in mid 2011.
2.d	Financial management reporting.	MPTC will maintain a contract register to keep track of funds paid to the contractor and the IVA,	MPTC Administrative and Finance Officer.	MPTC to monitor payments by comparing the amounts paid

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring
		and will submit an annual financial statement to WB.		with the contract value.
2.e	Control on reimbursement of incremental operating costs (IOC).	The withdrawal of grant funds for reimbursing IOC will be limited to office supplies, one computer, communications including public announcements and advertisements, office administration costs, utility charges, and domestic travel and per diem in connection with the supervision of the Project, the latter being reimbursed at rates contained in MEF Decision Letter No. 2000 of April 23, 2007.	MPTC with WB vetting of withdrawal applications.	MPTC to ensure compliance during implementation. WB to verify during supervision missions.
3.	Element 3 : Disclosure			
3.a	Minimize conflict of interest of project staff.	MPTC project staff to disclose private and public affiliations or personal interest before becoming involved in any project related transaction such as contract award.	MPTC Project Director to ask for and retain written disclosure.	WB to monitor during supervision missions.
3.b	Enhance transparency through greater public disclosure of project information.	<p>Agree information to be disclosed in a summary advertisement in a wide circulation newspaper biannually, with hard copies available for public inspection at MPTC offices on request and at district locations to be agreed. As a minimum, disclosed information is expected to include:</p> <ul style="list-style-type: none"> • project name, objectives, original and revised amount, sources of funding, effectiveness date, original closing date, revised closing date, number of extensions, name and address of executing agency, name of Project Director with contact information (inc. e-mail), name of WB officer in charge, and contact information in the MEF-WB unit, and WB office in Cambodia 	<p>MPTC and WB to agree final list and locations for public inspection of hard copies.</p> <p>MPTC Project Director to arrange disclosure. IPA will disclose procurement information on MEF website.</p>	<p>August 2008.</p> <p>Biannually. WB to verify during supervision missions.</p>

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring
		<ul style="list-style-type: none"> • details of project components, percentage completion, data on performance indicators • annual Work Program and Procurement Plan, identifying contracts to be procured in 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 RFP's to be available for inspection • bid closing dates, names of bidders and their bid prices at opening • list and details of contracts awarded, names of losing bidders and, if their bid prices were lower than the winning bidder, the reason for their rejection • quarterly Compliance Reports • planned and actual disbursements by sub component • annual financial statements and audit opinion • reports prepared by the IVA • complaints remedies and mechanism 		
4.	Element 4: Civil Society Role			
4.a	Greater involvement by Civil Society Organizations (CSOs).	MPTC to identify CSO(s) appropriate to be involved in selected aspects of project implementation and invite representatives to observe selected events, such as:	MPTC to select CSO(s) and obtain MEF concurrence.	Select by end-August 2008. MEF concurrence by end-September 2008.

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring
		<ul style="list-style-type: none"> • public bid openings (IPA to invite); • meetings to review project progress; • construction of telephony facilities in villages; • testing of facilities and handover ceremonies; • others as identified by MPTC. <p>All major CSO involvement to be recorded by the Service Provider in its quarterly Compliance Reports to MPTC, copied to MEF and WB TTL after review by Independent Verification Agent (see item 8.a).</p>	Service Providers with MPTC oversight and IVE review.	WB to monitor through review of IVA reports and supervision missions.
5.	Element 5: Complaints and Remedies Mechanism			
5.a	Need for systematic complaints and remedies mechanism covering all aspects of the project. <i>(see outline provided)</i>	<p>Design and adopt well-defined mechanism applicable to all complaints on any aspect of the Project.</p> <p>Complaints procedures regarding procurement to follow process set out in SOP/PM.</p>	<p>MPTC with WB NOL.</p> <p>IPA and MPTC.</p>	<p>WB NOL by end-August 2008. WB to monitor adoption during supervision missions.</p> <p>WB to monitor during supervision missions.</p>
6.	Element 6: Code of Ethical Conduct			
6.a	Compliance Code of Conduct for civil servants.	MPTC to disseminate to all project staff the code of conduct contained in the Civil Service Statute of 1994 and ensure that staff comply.	MPTC.	Design and furnish copy to WB by end-August 2008. WB to verify adoption during supervision missions.
7.	Element 7: Sanctions			
7.a	Need to reinforce Code of Ethical Conduct with sanctions for	Identify and apply sanctions available under current law and regulations of Cambodia and any	MPTC to identify and disseminate with Code of	Define and furnish copy to WB by end-August 2008. WB to

No.	Issue	Action to Mitigate Risk	Responsibility	Target/Monitoring
	fraudulent and corrupt activity by project staff, contractors, suppliers and consultants, which are currently not properly disseminated.	internal regulations of MPTC. WB to apply sanctions available in its general and project-specific legal agreements, including its Group's Anti-Corruption Guidelines (ACG) and Sanctions Regime issued in October 2006 and as may be subsequently updated.	Ethical Conduct. WB to provide MPTC a copy of its ACG and Sanctions Regime.	monitor application during supervision missions. Provide MPTC a copy of the ACG before grant signing. WB may apply sanctions whenever evidence is found.
8.	Element 8: Project Specific Elements			
8.a	Verification of service providers' compliance with terms of contracts	Appoint Independent Verification Agent (IVA). IVA to monitor and report to MPTC on service providers' outputs and outcomes. MPTC to forward IVA reports to GPOBA and WB after review.	MPTC to prepare TOR and obtain WB NOL. IPA to recruit IVA with WB prior review and NOL during recruitment process. IVA to validate outputs and issue NOL opinion to MPTC for payment to service provider(s).	Agree TOR by grant signing. Start recruitment immediately thereafter. Proposals by September 2008, sign contract by December 2008. Two weeks before each programmed withdrawal after the initial payment.