March 25, 2011

H. E. Keat Chhon
Deputy Prime Minister
Minister of Economy and Finance
Ministry of Economy and Finance
Phnom Penh
Kingdom of Cambodia

Re: Amendment to Reallocate Funds to Establish and Implement Priority Operating Costs in the Higher Education Quality and Capacity Improvement Project (Credit Number 4796-KH; Grant Number H607-KH)

Excellency:

We refer to the Higher Education Quality and Capacity Improvement Project ("Project") Financing Agreement between the Kingdom of Cambodia (the "Recipient") and the International Development Association (the "Association"), dated September 7th 2010 (the "Financing Agreement").

We refer to the decision of the Kingdom of Cambodia to establish and implement Priority Operating Costs ("POC") in accordance with the Royal Government of Cambodia’s Sub-Decree No. 66 on Establishment and Implementation of the Priority Operating Costs within the Framework of Development Cooperation in the above-mentioned projects and programs.

The Association has agreed to provide POC in the Project. Accordingly, we would like to propose to amend the Financing Agreement mentioned above (the "Financing Agreement") as set forth in Annex 1 to this Letter of Amendment.

Except as specifically amended by this letter of amendment, all other provisions of the Financing Agreement shall remain unchanged and in full force and effect.

Unless the context otherwise requires or unless otherwise defined in this letter of amendment, all capitalized terms used in this letter of amendment shall have the same meaning assigned to them in the Financing Agreement.
Please confirm your agreement to the foregoing on behalf of the Recipient by countersigning and dating the corresponding form of confirmation set forth below, and returning one fully signed original of this letter to us. Upon receipt by the Association of the copy of this Letter of Amendment duly countersigned by the authorized representative of the Recipient, the amendment to the Financing Agreement shall become effective as of the date of countersignature of this letter of amendment.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

/s/ Annette Dixon

Annette Dixon
Country Director, Cambodia
East Asia and Pacific Region

/s/ Keat Chhon
Authorized Representative

Name: KEAT CHHON
Title: Deputy Prime Minister
        Minister of Economy & Finance
Date: 20 APR 2011
ANNEX 1

1. The following Paragraph 3 is inserted in Part 4 of Schedule 1 to the Financing Agreement immediately after Part 3:

“3. Provision of technical advisory services and other material support for the design and provision of POC to selected staff working on the Program.”

2. Section 1.A.10 of Schedule 2 to the Financing Agreement is amended by the:
   a) Deletion of the word “and” at the end of Paragraph (vii);
   b) Insertion of the word “and” at the end of Paragraph (ix);
   c) Insertion of the Paragraph (x) immediately after Paragraph (ix) which shall read as: “Establish and implement POC under this Project.”

3. Section 1.A of Schedule 2 to the Financing Agreement is amended by insertion of the following Paragraph 12 immediately after Paragraph 11:

   “(xii) The Recipient shall: (a) agree on an Implementation Agreement Document for POC in accordance with the Sub-Decree, satisfactory to the Association, and thereafter apply said Agreement; and (b) not amend, suspend, abrogate, repeal or waive any provisions of said Agreement and Manual without the prior written agreement of the Association.”

4. The table under Section IV of Schedule 2 to the Financing Agreement is amended to read as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works and Consultants’ Services, Training and Workshops and Incremental Operating Costs</td>
<td>7,020,000</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Fellowships</td>
<td>0</td>
<td>2,146,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Scholarships</td>
<td>0</td>
<td>3,524,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Competitive Development and</td>
<td>0</td>
<td>2,180,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

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5. Section IV of Schedule 2 to the HEQCIP Financing Agreement is amended to read as follows:

"Withdrawal Conditions. Notwithstanding the provisions of Part A of this section, no withdrawal shall be made (a) for payments made prior to the date of this Agreement, and (b) under Category (6) until the Recipient has approved the Implementation Arrangement for POC referred to Section 1.A.10 of the Annex to this Agreement satisfactory to the Association."

6. The following definitions are inserted in Section 1 of the Appendix to the Financing Agreement in alphabetical order and the other paragraphs renumbered accordingly.

"Council for Administrative Reform" means the Recipient’s Council for Administrative Reform established by Anukret No. 51/ANK/BK/ on June 10, 1999, or any successor thereto.

"Implementation Agreement Document" means an agreement agreed by the Ministry of Education, Youth and Sports, the development partners supporting the POC scheme, the Council for Administrative Reform, and the Ministry of Economy and Finance specifying: (a) the number and nature of positions to be covered by the POC scheme and its organization structure; (b) the operating costs and funding mechanisms; and (c) the reporting requirements and the monitoring and evaluation processes.

"Ministry of Economy and Finance" means the Recipient’s Ministry of Economy and finance or any successor thereto.

"POC" means the Priority Operating Costs scheme, as defined in the Sub-Decree.

"Sub-Decree" means Royal Government of Cambodia’s Sub-Decree No. 66 on Establishment and Implementation of the Priority Operating Costs within the Framework of Development Cooperation."