ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PUBLIC WORKS AND TRANSPORT

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Financial Statements and Statement of Compliance for the year ended 31 December 2019

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project
ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Contents

PART I

Financial Statements
for the year ended 31 December 2019
and
Report of the Independent Auditors

KINGDOM OF CAMBODIA
Nation Religion King

Ministry of Public Works and Transport

Statement by the management

I do hereby state that in our opinion, the accompanying financial statements, which comprise the statement of financial position as at 31 December 2019, the statements of receipts and expenditure and the advance account for the year then ended, and notes as set out on pages 5 to 25 of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project"), funded by the Asian Development Bank Loan No. 3311 – CAM (COL), Loan No. 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF) and implemented by the Ministry of Public Works and Transport, are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements.

Signed on behalf of the Project management:

H.E Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

9 June 2020

KPMG

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Report of the independent auditors
To the Ministry of Economy and Finance
Royal Government of Cambodia

Opinion

We have audited the accompanying financial statements of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project"), under by the Asian Development Bank Loan No. 3311 – CAM (COL), Loan No. 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF) and implemented by the Ministry of Public Works and Transport, ("the Project Managing Unit" or "PMU"), which comprise the statement of financial position as at 31 December 2019, the statements of receipts and expenditure and advance account for the year then ended and notes, comprising significant accounting policies and other explanatory information ("financial statements"), as set out on pages 5 to 25.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with the basis of accounting and the accounting policies as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing (CISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting and the accounting policies adopted by the Project. The financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank and should not be used by or distributed to other parties. This restriction on use does not limit the disclosure or distribution of our report, if such disclosure or distribution is required by laws and regulations. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the basis of accounting and the accounting policies described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PMU's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PMU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the PMU to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

9 June 2020

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of financial position
as at 31 December 2019

	Note	As at 31 December 2019 US$	As at 31 December 2018 US$
Current assets			
Cash at bank	3	303,551	447,233
Advances to a contractor		-	41,494
		303,551	488,727
Represented by:			
Fund balance at end of the year		303,551	488,727

H.E. Vong Pisith
Project Director

Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

9 June 2020

The accompanying notes form an integral part of these financial statements

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of receipts and expenditure for the year ended 31 December 2019

	Note	Year ended 31 December 2019 ADB Loan No. 3311 US$	Year ended 31 December 2019 ADB Grant No. 0454 US$	Year ended 31 December 2019 RGC US$	Year ended 31 December 2019 Total US$	Year ended 31 December 2018 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
Receipts	4						
Direct payment		832,038	-	-	832,038	629,213	2,092,288
Advance account		-	308,301	41,261	349,562	688,598	1,686,160
		832,038	308,301	41,261	1,181,600	1,317,811	3,778,448
Expenditure by disbursement category							
Consulting services	5	860,055	368,364	6,050	1,234,469	1,658,008	3,022,705
Incremental administration	6	52,129	-	36,994	89,123	77,194	409,008
Interest charges		43,184	-	-	43,184	-	43,184
		955,368	368,364	43,044	1,366,776	1,735,202	3,474,897

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of receipts and expenditure (continued)
for the year ended 31 December 2019

	Year ended 31 December 2019					
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Year ended 31 December 2018 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
(Deficit)/Excess of receipts over expenditure	(123,330)	(60,063)	(1,783)	(185,176)	(417,391)	303,551
Fund balance at beginning of the year	366,965	117,962	3,800	488,727	906,118	-
Fund balance at end of the year	243,635	57,899	2,017	303,551	488,727	303,551

H.E. Vong Pisith
Project Director

Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

9 June 2020

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of advance account
for the year ended 31 December 2019

	Note	Year ended 31 December 2019			Year ended 31 December 2018	Cumulative period from 2 March 2016 to 31 December 2019
		ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	US$	US$
Receipts	4					
Advance account		-	308,301	308,301	649,505	1,587,806
Expenditure by disbursement category						
Consulting services	5	71,200	368,364	439,564	397,758	967,550
Incremental administration	6	52,130	-	52,130	37,374	318,722
		123,330	368,364	491,694	435,132	1,286,272
(Deficit)/Excess of receipts over expenditure		(123,330)	(60,063)	(183,393)	214,373	301,534
Fund balance at beginning of the year		366,965	117,962	484,927	270,554	-
Fund balance at end of the year		243,635	57,899	301,534	484,927	301,534

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of advance account (continued)
for the year ended 31 December 2019

	Year ended 31 December 2019				
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	Year ended 31 December 2018 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
Represented by:					
Cash at bank	243,635	57,899	301,534	443,433	301,534
Advances to contractors	-	-	-	41,494	-
	243,635	57,899	301,534	484,927	301,534

H.E. Vong Pisith
Project Director

Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

9 June 2020

The accompanying notes form an integral part of these financial statements.

1. Background and activities

The Integrated Urban Environmental Management in the Tonle Sap Basin Project ("Project") was established under the Loan Agreement No. 3311-CAM (COL), No. 8295-CAM (SCF) and Grant Agreement No. 0454-CAM (SCF) signed on 22 December 2015. Total project cost is approximately US$52.59 million, of which the Asian Development Bank (ADB) finances SDR26,382,000 (US$37 million equivalent at the time of loan negotiation) from the Asian Development Fund (ADF), ADB Strategic Climate Fund Loan finances US$5 million, ADB Strategic Climate Fund Grant of US$5 million, Communities beneficiaries finance US$0.21 million covers its 10% contribution to output village grants and the Royal Government of Cambodia contributes US$5.37 million equivalent for safeguards costs, in-kind expenditures on staff and office facilities, and costs of taxes and duties, costs for land acquisition and resettlement.

The ADB loan No. 3311 – CAM (COL) will payable within 32-years from 1 April 2023 and 1 October 2047, including a grace period of 8 years, an interest rate of 1% per annum during the grace period and 1.5% per annum thereafter. ADB Strategic Climate Fund will payable within 40-years from 1 April 2025 and 1 October 2054, including a grace period of 10 years, and a service charge of 0.1% per annum on the disbursed and outstanding loan amount. ADB Strategic Climate Fund Loan and Grant will be front loaded. The ADB Strategic Climate Fund service charge will be capitalised as part of the loan.

A Project Management Unit (PMU) is to be established within the Ministry of Public Works and Transport (MPWT). The implementing agencies (IAs), Provincial Department of Public Works and Transport (PDPWT) and Municipal Governments in Kampong Chhnang and Pursat. A Project Steering Committee (PSC) will be established by MPWT. The objective of the Project is improved urban services and enhanced climate change resilience in Kampong Chhnang and Pursat municipalities:

Output 1: Kampong Chhnang urban area environmental improvements

Includes flood protection totalling 15.1 km along Tonle Sap riverbank through improvement of the existing embankment and construction of new embankment where required; construction of a new controlled landfill site of 10 ha at Phnom Tauch village (Pongro commune, Rolea Bier district) with increased capacity; provision of equipment for solid waste collection; and landfill management, including supervised closing of two open dumpsites in Kul Kuk village and Trork village (Sre Thmei commune, Rolea Bier district). It complements the Japan International Cooperation Agency's drainage project in Kampong Chhnang and GIZ's support for development of an urban master plan.

1. Background and activities (continued)

Output 1: Kampong Chhnang urban area environmental improvements (continued)

Embankment protection will prevent flooding from the Tonle Sap into Kampong Chhnang town, reducing its vulnerability to flooding and providing protection to 1 in 50 year high water levels. In the dry season, outlets will accommodate the natural streams flowing into the Tonle Sap and sluice gates will avoid backflow into the town as the water rises. In the wet season, natural retention areas will retain wet season flows. The embankment is imperative for resident to have continued access to social services and economic activities in the town (e.g., rice processing mills). Improved flood protection will assist farmers in the eastern part of the municipality to increase agricultural production from two to three crops per year.

Output 2: Pursat urban area environmental improvements

Includes construction of about 9.9 km of primary and secondary drains in the town center with associated road improvements and improved wastewater treatment; (ii) riverbank erosion protection in select locations along the Pursat River, including revetment and groins; (iii) development of new controlled landfill of about 28 ha at Toul Mkak village (Roleap Sangkat, Pursat town) and associated access road of about 900 meters; (iv) provision of equipment for solid waste collection; and (v) landfill management, including equipment and closure of two old open dumpsites in Toul Mkak village (Roleap Sangkat, Pursat town) and Sras Srang village (Prey Gny Sangkat, Pursat town). It complements ADB‘s previous support to the Dhamnak Chheukrom Irrigation System Rehabilitation (located about 40 km upstream). About 20% of the town‘s roads have drains with National Highway No. 5 and other main roads lacking side drains. The construction of drains in the town center will improve and strengthen the stormwater drainage system to accommodate more intensive rainfall. It will support increased economic activities in the town center (e.g., marble process and carvings), and facilitate residents‘ continued access to social services.

Output 3: the community mobilization and environmental improvements

Aims to address the climate change and environmental needs of the urban poor and vulnerable, including ethnic Cham and Vietnamese in Kampong Chhnang and Pursat—making the project more inclusive by extending benefits from large infrastructure investments. It includes improved household sanitation for IDPoor 1 and 2 in the current municipality area; climate change and hygiene awareness and action; and community small-scale infrastructure improvements in pre-identified poor and vulnerable areas in each municipality. Small-scale infrastructure improvements will be prioritized by the communities and will be financed by the project, national government, and community.15 The output will help extend project benefits to the poor and vulnerable groups. It will be implemented in partnership with an international non-governmental organization (NGO), which must demonstrate in its proposal experience working with Tonle Sap communities, including ethnic Cham and Vietnamese. See Annex B for details and the Annex C, Package IV for the terms of reference of the NGO.

1. Background and activities (continued)

Output 4: Strengthened Sector Coordination and Operations

Supports the MPWT to convene national urban development task force meetings with other ministries and development partners in the urban sector (about twice per year); strengthen climate change regulations, focusing on improved building codes in provincial towns around the Tonle Sap to reflect key climate resilience features, including appropriate sanitation; and support the establishment of urban service units (or special operating agencies) for improved delivery and management of decentralized urban services. If successful, USUs will demonstrate a mechanism for the sustainability and delivery of quality decentralized urban services, which could be replicated in other municipalities. Climate change financing will support the Government in implementing the TSUADF in partnership with subnational governments around the Tonle Sap by developing a consultation program and a plan for climate change adaptation in urban areas. It complements the MPWT parallel climate change initiatives in the transport sector.

Funding of the Project by the ADB according to the allocation and withdrawal of the loan proceeds is as follows:

Category				ADB Financing
No.	Item	Amount Allocated (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Civil Works	16,079,000		
1A	Kampong Chhnang Flood Protection		10,087,000	100% of total expenditure claimed* **
1B	Kampong Chhnang Solid Waste Management		308,000	100% of total expenditure claimed*
1C	Pursat Flood Protection		429,000	100% of total expenditure claimed*
1D	Pursat Drainage		3,475,000	100% of total expenditure claimed* **
1E	Pursat Solid Waste Managen		730,000	100% of total expenditure claimed*
1F	Kampong Chhnang Small-scale Infrastructure Development		525,000	80% of total expenditure claimed*
1G	Pursat Small-scale Infrastructure Development and Facilitation		525,000	80% of total expenditure claimed*

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2019

1. Background and activities (continued)

Funding of the Project by the ADB according to the allocation and withdrawal of the loan proceeds is as follows: (continued)

Category				ADB Financing
No.	Item	Amount Allocated (SDR)		Percentage and Basis for Withdrawal from the Loan account
		Category	Subcategory	
2	Equipment	1,184,000		
2A	Kampong Chhnang Solid Waste Management		523,000	100% of total expenditure claimed
2B	Pursat Solid Waste Management		583,000	100% of total expenditure claimed
2C	Kampong Chhnang Embankment Manual Equipment for Maintenance		26,000	100% of total expenditure claimed
2D	Pursat Flood Protection Manual Equipment for Maintenance		26,000	100% of total expenditure claimed
2E	Pursat Drainage Manual Equipment for Maintenance		26,000	100% of total expenditure claimed
3	Workshops	422,000		
3A	Project Management and Implementation Support		415,000	100% of total expenditure claimed
3B	Sector Strengthening and Capacity Development		7,000	100% of total expenditure claimed
4	Consulting Services	2,554,000		
4A	Project Management and Implementation Support		2,437,000	100% of total expenditure claimed
4B	Sector Strengthening and Capacity Development		69,000	100% of total expenditure claimed
4C	Surveys and Investigations		48,000	100% of total expenditure claimed
5	Incremental Administration	404,000		
5A	Office and Travel Expenses		285,000	100% of total expenditure claimed
5B	Vehicles		108,000	100% of total expenditure claimed
5C	Equipment		11,000	100% of total expenditure claimed
6	Interest during Implementation	995,000		100% of total amounts due
7	Unallocated	4,744,000		
	Total	**26,382,000**		

* *Exclusive of local taxes and duties imposed within the territory of the Borrower.*

** *ADB SCF Grant and Loan will be front-loaded.*

1. Background and activities (continued)

Funding of the Project by the ADB SCF according to the allocation and withdrawal of the loan proceeds is as follows:

Category			SCF Financing
No.	**Item**	**Amount Allocated (US$)**	**Percentage and Basis for Withdrawal from the Grant Account**
1	Kampong Chhnang Flood Protection	4,982,000	100% of total expenditure claimed*
2	Service Charge during implementation	18,000	100% of total amount due
	Total	**5,000,000**	

* *Exclusive of local taxes and duties imposed within the territory of the Borrower.*

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such category:

Category				ADB Financing
No.	**Item**	**Amount Allocated (US$)**		**Percentage and Basis for Withdrawal from the Loan account**
		Category	**Subcategory**	
1	Civil Works	3,480,000		
1A	Pursat Drainage		2,460,000	100% of total expenditure claimed*
1B	Kampong Chhnang Sanitation Improvements		510,000	100% of total expenditure claimed*
1C	Pursat Sanitation Improvements		510,000	100% of total expenditure claimed*
2	Workshops	210,000		
2A	NGO Support to Community-led Environment Improvments		200,000	100% of total expenditure claimed
2B	Climate Change Adoption in Urban Development		10,000	100% of total expenditure claimed
3	Consulting Services	1,110,000		100% of total expenditure claimed
31	Climate Change Adoption in Urban Development		200,000	100% of total expenditure claimed
3B	Climate Change Adoption in Urban Developments		810,000	100% of total expenditure claimed*
3C	Surveys and Investigations		100,000	100% of total expenditure claimed*
4	Unallocated	200,000		
	Total	**5,000,000**		

* *Exclusive of local taxes and duties imposed within the territory of the Borrower.*

The Financing Agreement of SCF Grant and Loan became effective for implementation from 2 March 2016 in accordance with Aide Memoire inception mission of ADB dated 16 February 2017 and closing date shall be 30 April 2023 or such other date as may from time to time be agreed between the Borrower, ADB and the Government of Australia.

2. Significant accounting policies

(a) Basis of accounting

The financial statements, which are expressed in United States Dollars ("US$"), have been prepared in accordance with a modified cash receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Project; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, income is recognised when funds are received in cash and expenditure is recognised when payments are made rather than when it is incurred, except for the advanced payments made to suppliers that are initially recognised as a receivable and only recognised as payments when they have been liquidated by supporting invoices.

The financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance and the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose.

(b) Statement of advance account

The statement of advance account (previously known as statement of imprest account) is prepared in accordance with the Financing Agreements, and is purely used to receive and disburse for expenditure financed by the ADB loan proceeds.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and expenditure upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

(d) Interest charge

The interest charge by the ADB is accounted for in the statement of receipts and expenditure as receipts and corresponding expenditure.

(e) Foreign currency transactions

The Project transacts its operations and maintains its accounting records primarily in United States Dollars ("US$"). Transactions in currencies other than US$ are converted into US$ at the rates of exchange prevailing on the transaction dates. Cash and bank balances in currencies other than US$ are translated into US$ at the open market rates of exchange at the year end date. All foreign exchange differences are recognised in the statement of receipts and expenditure.

(f) In-kind contribution

All in-kind contribution from RGC to the project is not accounted for in the statement of receipts and expenditure. In-kind contribution is disclosed in the financial statements for information only.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2019

3. Cash at bank

	As at 31 December 2019				
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	As at 31 December 2018 US$
Advance account	243,635	57,899	2,017	303,551	447,233

4. Receipts

(a) Asian Development Bank

	Year ended 31 December 2019			Year ended	Cumulative period
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	Total US$	31 December 2018 US$	from 2 March 2016 to 31 December 2019 US$
Direct payment (*)	832,038	-	832,038	629,213	2,092,288
Advance account	-	308,301	308,301	649,505	1,587,806
	832,038	308,301	1,140,339	1,278,718	3,680,094

The receipts from Asian Development Bank Loan No. 3311 – CAM (COL) and Grant No. 0454 – CAM (SCF) were paid into the advance account co-held by the Ministry of Economy and Finance ("MEF") and Ministry of Public Works and Transport at the National Bank of Cambodia. This is a separate bank account held exclusively for the Project.

(*) Direct payments represent advance payments made by ADB directly to the consultants on behalf of the Project.

(b) Government Counterpart Fund ("RGC")

	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
Advance account	41,216	39,093	98,354

5. Consulting services

	Year ended 31 December 2019					Cumulative period
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Year ended 31 December 2018 US$	from 2 March 2016 to 31 December 2019 US$
Project management and implementation support (*)	860,055	-	-	860,055	1,189,169	2,132,293
NGO Support for CMEI	-	296,505	-	296,505	297,362	593,867
Climate change adoption in urban development	-	71,859	-	71,859	171,477	290,495
Audit fee	-	-	6,050	6,050	-	6,050
	860,055	368,364	6,050	1,234,469	1,658,008	3,022,705

(*) This expenditure comprises payments made through advance account amounting to US$71,200 (2018: US$53,401 from ADB Loan No.3311 and US$344,357 from ADB Grant No.0454).

6. Incremental administration

	Year ended 31 December 2019					Cumulative period
	ADB Loan No. 3311 US$	ADB Grant No. 0454 US$	RGC US$	Total US$	Year ended 31 December 2018 US$	from 2 March 2016 to 31 December 2019 US$
Office and travel expenses	47,090	-	36,994	84,084	73,557	223,069
Vehicles	5,039	-	-	5,039	3,637	144,921
Office equipment	-	-	-	-	-	41,018
	52,129	-	36,994	89,123	77,194	409,008

7. Expenditure by disbursement category and financier

Particulars	ADB Loan No. 3311 – CAM (COL)			ADB Loan No. 8295 – CAM (SCF)			ADB Grant No. 0454 – CAM (SCF)			Royal Government of Cambodia			Total
	% of financing	Actual expenditure		% of financing	Actual expenditure		% of financing	Actual expenditure		% of financing	Actual expenditure		
	%	US$	%	%	US$	%	%	US$	%		US$	%	US$
Consulting services	100	860,055	70%	100	-	-	100	368,364	30%	100	6,050	0%	1,234,469
Incremental administration	100	52,129	58%	-	-	-	-	-	-	100	36,994	42%	89,123
Interest charge	100	43,184	100%	-	-	-	-	-	-	-	-	-	43,184
Total payments – for the year ended 31 December 2019		**955,368**			-			**368,364**			**43,044**		**1,366,776**
% of total project costs – for the year ended 31 December 2019		**2.63%**			**0.00%**			**1.01%**			**0.12%**		**3.76%**
% of cumulative expenditure to total project costs – for the period from 2 March 2016 to 31 December 2019		**6.86%**			**0.00%**			**2.43%**			**0.26%**		**9.55%**

8. Statement of disbursement

Details of statement of disbursement from ADB fund are as follows:

	Note	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
ADB Fund claims during the period				
Direct payments		832,038	629,213	2,092,288
Advance accounts		308,301	649,505	1,587,806
Subtotal	(A)	1,140,339	1,278,718	3,680,094
Total expenditure made during the period	(B)	1,366,776	1,735,202	3,474,897
Expenditure made out of Government Counterpart Fund	(C)	(43,044)	(39,820)	(96,337)
Expenditure incurred but not yet claimed	(D)	(141,899)	443,433	(328,466)
Expenditure incurred during the year using previous year's replenishment	(E)	-	(270,554)	-
Initial advances	(F)	-	-	630,000
Expenditure recorded using the previous year advance	(G)	(41,494)	(631,037)	-
Advance paid during the year but not yet recorded as expenditure	(H)	-	41,494	-
Total eligible expenditure claimed (I) (A=I=B+C+D+E+F+G+H)		1,140,339	1,278,718	3,680,094

9. Commitments

As at 31 December, the Project has the following expenditure commitments:

	As at 31 December 2019 US$	As at 31 December 2018 US$
Contracted, but not yet paid:		
Consulting services and Works	12,055,009	3,561,797

10. In-kind contribution

The Project's management has identified and calculated in-kind contribution from the RGC to the project based on guideline from the MEF as follows**:**

	Year ended 31 December 2019 US$	Year ended 31 December 2018 US$	Cumulative period from 2 March 2016 to 31 December 2019 US$
Office space	17,856	17,856	71,424
Utilities expense	10,238	10,238	40,954
Salaries of project staff	49,152	44,196	168,888
Tax and duties:			
Withholding tax on consulting service	177,466	254,158	431,625
VAT on vehicles and office equipment	-	19,538	19,538
	254,712	345,986	732,429

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Notes to the financial statements (continued)
for the year ended 31 December 2019

11. Statement of withdrawals

Withdrawal Application			Category				
No	**Date**	**Currency**	**Consulting services**	**Incremental administration**	**Interest Charge**	**Advance**	**Total**
2019							
ADB Loan 3311 – Cam (COL)							
A0008	4-Jan-19	US$	148,937	-	-	-	148,937
A0009	29-May-19	US$	206,824	-	-	-	206,824
A0010	3-Sep-19	US$	222,690	-	-	-	222,690
A0011	17-Sep-19	US$	210,403	-	-	-	210,403
N/A	1-Oct-17	US$	-	-	5,643	-	5,643
N/A	1-Apr-17	US$	-	-	2,990	-	2,990
N/A	1-Oct-18	US$	-	-	7,429	-	7,429
N/A	1-Apr-18	US$	-	-	5,839	-	5,839
N/A	1-Oct-19	US$	-	-	11,339	-	11,339
N/A	1-Apr-19	US$	-	-	9,944	-	9,944
Sub-Total (A)			**788,854**	**-**	**43,184**	**-**	**832,038**
ADB Grant 0454 – Cam (SCF)							
C0005	19-Feb-19	US$	114,929	-	-	-	114,929
C0006	18-Jun-19	US$	97,475	-	-	-	97,475
C0007	24-Sep-19	US$	95,897	-	-	-	95,897
Sub-Total (B)			**308,301**	**-**	**-**	**-**	**308,301**
Grand Total ADB (A+B)			**1,097,155**	**-**	**43,184**	**-**	**1,140,339**
RGC fund							
R0005	20-Feb-19	US$	-	14,201	-	-	14,201
R0006	9-Jul-19	US$	-	15,560	-	-	15,560
R0007	23-Aug-19	US$	-	11,500	-	-	11,500
Sub-Total (C)			**-**	**41,261**	**-**	**-**	**41,261**
Grand Total (A+B+C)			**1,097,155**	**41,261**	**43,184**	**-**	**1,181,600**
2018							
ADB Loan 3311 – Cam (COL)							
A0003	16-Jul-18	US$	163,531	-	-	-	163,531
A0005	28-Jun-18	US$	101,008	-	-	-	101,008
A0004	26-Jun-18	US$	102,729	231,298	-	-	334,027
A0006	17-Jul-18	US$	120,580	-	-	-	120,580
A0007	12-Dec-18	US$	119,612	-	-	-	119,612
Sub-Total (A)			**607,460**	**231,298**	**-**	**-**	**838,758**

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project
ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of advance account (continued)
for the year ended 31 December 2019

11. Statement of withdrawals (continued)

Withdrawal Application			Category				
No	Date	Currency	Consulting services	Incremental administration	Interest Charge	Advance	Total
2018							
ADB Grant 0454 – Cam (SCF)							
C0002	11-Apr-18	US$	124,482	-	-	-	124,482
C0003	20-Aug-18	US$	151,026	-	-	-	151,026
C0004	20-Nov-18	US$	164,452	-	-	-	164,452
Sub-Total (B)			**439,960**	**-**	**-**	**-**	**439,960**
Grand Total ADB (A+B)			**1,047,420**	**231,298**	**-**	**-**	**1,278,718**
RGC fund							
R0002	15-Mar-18	US$	-	13,473	-	-	13,473
R0003	2-Jul-18	US$	-	12,720	-	-	12,720
R0004	11-Oct-18	US$	-	12,900	-	-	12,900
Sub-Total (C)			**-**	**39,093**	**-**	**-**	**39,093**
Grand Total (A+B+C)			**1,047,420**	**270,391**	**-**	**-**	**1,317,811**
Cumulative period from 2 March 2016 to 31 December 2019							
ADB Loan 3311 – CAM			2,027,351	231,298	43,184	436,000	2,737,833
ADB Grant No. 0454 – CAM			748,261	-	-	194,000	942,261
RGC			-	80,354	-	18,000	98,354
Total			**2,775,612**	**311,652**	**43,184**	**648,000**	**3,778,448**

H.E. Vong Pisith
Project Director

Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

9 June 2020

Notes to the financial statements (continued)
for the year ended 31 December 2019

12. Statement of budget versus actual expenditure

Description	Year ended 31 December 2019			Year ended 31 December 2018			Cumulative period from 2 March 2016 to 31 December 2019		
	Budget (Unaudited)	Actual	Variance	Budget (Unaudited)	Actual	Variance	Budget (Unaudited)	Actual	Variance
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Civil works	-	-	-	-	-	-	580,000	-	580,000
Workshops	-	-	-	-	-	-	170,000	-	170,000
Consulting services	1,245,779	1,234,469	11,310	1,743,422	1,658,008	(85,414)	4,308,165	3,022,705	1,285,460
Incremental administration	123,492	89,123	34,369	92,422	77,194	(15,228)	780,879	409,008	371,871
Interest charge	43,184	43,184	-	-	-	-	43,184	43,184	-
Contingencies	-	-	-	-	-	-	210,000	-	210,000
Total	**1,412,455**	**1,366,776**	**45,679**	**1,835,844**	**1,735,202**	**(100,642)**	**6,092,228**	**3,474,897**	**2,617,331**

H.E. Vong Pisith
Project Director

Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

9 June 2020

PART II

Independent Assurance Report on Compliance with the Financing Agreements for the year ended 31 December 2019

Ministry of Public Works and Transport

Management assertion

I, on behalf of the Project's management of the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") under ADB Loan No. 3311 – CAM (COL) and 8295 – CAM (SCF), and the Grant No. 0454 – CAM (SCF) ("the Financing Agreements"), do hereby state that the Project's Statement of Compliance for the year ended 31 December 2019 is, all material respects, prepared in compliance with the Financing Agreements in particular:

(i) The Project Management Unit has utilised the proceed of the loan, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Financing Agreements;

(ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements;

(iii) The Advance account procedures, have been operated, in all material respects, in accordance with ADB's Loan Disbursement Handbook;

(iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan Disbursement Handbook. In addition, adequate supporting documentation has been maintained to authenticate claims stated on SOE procedure for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and

(v) The effective internal control, including the procurement process was maintained.

On behalf of the management,

H.E Vong Pisith
Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

9 June 2020

KPMG

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INDEPENDENT REASONABLE ASSURANCE REPORT

To the Ministry of Economy and Finance on the Statement of Compliance

We refer to the ADB Loan Agreement No. 3311 – CAM (COL) and 8295 – CAM (SCF), and the Grant Agreement No. 0454 – CAM (SCF) ("the Financing Agreements"), which sets out the requirements for the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") to comply with the Loan and Grant covenants.

Pursuant to the terms of the Financing Agreements, the management of the Project has prepared a Statement of Compliance with the Financing Agreements (the "Statement of Compliance"), a copy of which is attached to this independent assurance report.

We were engaged by the Ministry of Economy and Finance ("MEF") to report on the Project's Statement of Compliance with the Financing Agreements as set out on pages 31 to 36 for the year ended 31 December 2019 in the form of an independent reasonable assurance conclusion about whether the Statement of Compliance is, in all material respects, prepared in compliance with the requirements set out in the Financing Agreements.

Our report is intended to provide a conclusion on the following specific matters, established by the terms of the Financing Agreements whether:

(i) The Project's funds have been used, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Financing Agreements.

(ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements.

(iii) The Project has complied, in all material respects, with the Advance Account procedure set out in ADB's Loan Disbursement Handbook for the year ended 31 December 2019.

(iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan Disbursement Handbook for the year ended 31 December 2019.

Management's Responsibilities

The management of the Project is responsible for the preparation of the Statement of Compliance that is free from material misstatement in accordance with those requirements set out by the Financing Agreements and for the information contained therein on pages 31 to 36.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Statement of Compliance that is free from material misstatement, whether due to fraud or error. It also includes ensuring the Project's compliance with those requirements set out in the Financing Agreements; selecting and applying policies; making judgements and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Statement of Compliance. The management of the Project is also responsible for preventing and detecting fraud and for identifying and ensuring that the Project complies with laws and regulations applicable to its activities. The management is responsible for ensuring that staff involved with the preparation of the Statement of Compliance are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units.

Our Responsibilities

Our responsibility is to examine the Statement of Compliance prepared by the management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with Cambodian International Standard on Assurance Engagements (CISAE) 3000, Assurance Engagement Other than Audits or Reviews of Historical Financial Information. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the Statement of Compliance is properly prepared in accordance with the relevant terms and conditions set out in the Financing Agreements, in all material respects.

We apply Cambodian International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Procedures Performed

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Statement of Compliance whether due to fraud or error.

In making those risk assessments, we have considered internal controls relevant to the preparation of the Statement of Compliance, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Project's internal control over the preparation of the Statement of Compliance.

Our engagement also included assessing the appropriateness of the Statement of Compliance, the suitability of the criteria being the terms and conditions specified by the Financing Agreements, used by the Project's management in preparing and presenting the Statement of Compliance in the circumstances of the engagement, obtaining an understanding of the compilation of the financial and non-financial information in the Statement by enquiry of management, reference to the Financing Agreements and performance of testing on the Project's management assertions on a sample basis.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the Project's Statement of Compliance is, in all material respects, prepared in compliance with the requirements of the Financing Agreements, in particular the following assertions by management of the Project are properly represented, in all material respects:

(i) The Project's funds have been used, in all material respects, for the purposes of the Project in accordance with the terms and conditions set out in the Financing Agreements.

(ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements.

(iii) The Project has complied, in all material respects, with the Advance Account procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2019.

(iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2019.

Restriction on Use of Our Report

Our report should not be regarded as suitable to be used or relied on by any party other than the Project, MEF and ADB for any purpose or in any context. Any party other than the Project, MEF and the ADB who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

We accept or assume no responsibility and deny any liability to any party other than the Project, MEF and ADB for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

KPMG

Our report is released to the Project, MEF and the ADB on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without our prior written consent.

For **KPMG Cambodia Ltd**

KPMG CAMBODIA LTD.

Taing YoukFong
Partner

Phnom Penh, Kingdom of Cambodia

9 June 2020

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements for the year ended 31 December 2019

1. Criteria

This Statement of Compliance is prepared in accordance with the criteria determined by the ADB in accordance with the Loan Agreement No. 3311 – CAM (COL) and 8295 – CAM (SCF), and the Grant Agreement No. 0454 – CAM (SCF) ("the Financing Agreements"), which sets out the requirements for the Integrated Urban Environmental Management in the Tonle Sap Basin Project ("the Project") to comply with and is prepared by the Project's management based on the key relevant provisions in which the Project's management believes are important to report on and is not intended to cover the complete set of the Financing Agreements taken as a whole. These criteria are described below. The Project management has assessed its compliance with the relevant requirements and included the results of its assessment below.

Section	Description	Management's assertions
Article III: Use of Proceed of Loan		
3.01	The Borrower shall cause the proceeds of the Loan and Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of the Financing Agreements.	Yes, complied with.
3.02	The proceeds of the funds shall be allocated and withdrawn in accordance with the provisions of the attachment to Schedule 3 (See Appendix) to these Financing Agreements, as such Schedule may be amended from time to time by the Financing Agreements between the Borrower and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, items of expenditure to be financed out of the proceeds of the Loan and Grant in accordance with the provisions of Schedule 4 (See Appendix) of the Financing Agreements.	Yes, complied with.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements (continued) for the year ended 31 December 2019

1. Criteria (continued)

Section	Description	Management's assertions
Article IV: Particular Covenants		
4.02	(a) The Borrower shall: (i) Maintain separate accounts and records for the Projects; (ii) prepare annual financial statements for the Project in accordance with generally accepted accounting principles. (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with International Standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditor prepare a report which includes the auditor's opinions on (a) whether the Project financial statements present a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework; (b) whether the Project's funds were used only for the purposes of the Project or not; (c) the level of compliance with the financial covenants in the Financing Agreements; (d) compliance with the advance fund procedure; and (e) compliance with use of the SOE procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the procedure in accordance with ADB's Loan/Grant Disbursement Handbook and the project documents; and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and	(a). (i). Yes, complied with. (ii). The project prepared the annual financial statements in accordance with a modified cash basis of accounting. (iii). Financial statements are audited by KPMG Cambodia Ltd. (iv). Refer to report of Independent Auditor and the Independent Reasonable Assurance Report.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements (continued)
for the year ended 31 December 2019

1. Criteria (continued)

Section	Description	Management's assertions
	(v) Furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request. (b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.	(v). Yes, complied with. (b). Yes, complied with.
4.03	The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	Yes, complied with.
ADB Loan/Grant disbursement handbook		
The Borrower shall use the SOE procedure certifying to the eligibility of those expenditures claimed under SOE procedures, and proper use of the procedure in accordance with ADB's Loan/Grant Disbursement Handbook and the project documents.		Yes, complied with.
The Borrower shall use the Advance Account procedure set out in ADB's Loan/Grant Disbursement Handbook.		Yes, complied with.
Condition for Approval to Use the Advance Fund Procedure:		
For approval to use the advance fund procedure, the following conditions should be considered and met: • **Borrower's capacity:** The borrower, EA, and or implementing agency (IA), as appropriate, must have adequate administrative and accounting capacity to establish sufficient internal control, accounting, and auditing procedure to ensure efficient use and operation of the procedures. If the EA/or IA's capacity is determined to be inadequate, the advance fund procedure should not be used. • **Audit arrangement:** The borrower, EA, and or I/A, as appropriate, must also have the capacity to arrange for periodic and annual independent audits of the advance fund procedure by auditors acceptable to ADB.		Yes, complied with.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements (continued)
for the year ended 31 December 2019

1. Criteria (continued)

Section	Description	Management's assertions
Establishing the Advance Account		
The borrower, EA, or IA is required to open a separate bank account (unless otherwise approved by ADB) for depositing advances. The advance account should be maintained in a bank account without restriction on withdrawing funds at any time and is opened in the name of the borrower, EA, IA, or the project, as appropriate The borrower, EA, or IA who established the advance account is accountable and responsible for proper use of advances to the advance account, including advances to the subaccount, if used.		Yes, complied with.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements (continued)
for the year ended 31 December 2019

2. Appendix to the Statement of Compliance

Section	Description
Schedule 3: Allocation and withdrawal of the loan proceeds	
4	The proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.
5	The Loan proceeds shall be disbursed in accordance with the Loan/Grant Disbursement Handbook.
Schedule 4: Procurement of Goods, Works and Consulting Services	
1	The procurement of Goods, Works, and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines respectively.
3	Goods and Works shall only be procured on the basis of the methods of procurement set forth below: (a) International Competitive Bidding; (b) National Competitive Bidding; and (c) Shopping.
7	The Borrower shall cause the Project Executing Agency and each Project Implementing Agency not to award any Works contract: (a) Which involves environmental impacts; (b) Which involves involuntary resettlement impacts
8	The Borrower shall cause the Project Executing Agency and each Project Implementing Agency not to award any landfill or solid waste management Works contract for the Project.
9	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.

Ministry of Public Works and Transport

Integrated Urban Environmental Management in the Tonle Sap Basin Project

ADB Loan No. 3311 – CAM (COL), 8295 – CAM (SCF) and Grant No. 0454 – CAM (SCF)

Statement of Compliance with the Financing Agreements (continued)
for the year ended 31 December 2019

2. Appendix to the Statement of Compliance (continued)

Section	Description
Schedule 4: Procurement of Goods, Works and Consulting Services	
10	The Borrower shall apply the methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan.
11	The Borrower shall recruit any individual consultants for such services as agreed with ADB in accordance with procedures acceptable to ADB for recruiting individual consultants.
12 (a)	The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.
12 (b)	The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters.
13	The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.