

**ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PUBLIC WORKS AND TRANSPORT**

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL),
ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

**Financial Statements
and
Statement of Compliance
for the period from 24 January 2018 to
31 December 2019**

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

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PART I

**Financial Statements
for the period from 24 January 2018 to
31 December 2019
and
Report of the Independent Auditors**



Ministry of Public Works and Transport

Statement by the management

I, the undersigned, do hereby state that in my opinion, the accompanying financial statements, which comprise the statement of financial position as at 31 December 2019, the statements of receipts and expenditure and advance account for the period from 24 January 2018 to 31 December 2019 and notes, as set out on pages 5 to 28 of the Provincial Water Supply and Sanitation Project ("the Project"), under the Asian Development Bank Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and Agence Francaise De Development Loan No. 8335-CAM and implemented by the Ministry of Public Works and Transport ("MPTW", "Project Management Unit" or "PMU"), 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's management:

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

Phnom Penh, Kingdom of Cambodia

9 June 2020



KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

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 Provincial Water Supply and Sanitation Project (“the Project”), under the Asian Development Bank Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and Agence Francaise De Development Loan No. 8335-CAM and implemented by the Ministry of Public Works and Transport (“Project Management 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 period from 24 January 2018 to 31 December 2019 and notes, comprising significant accounting policies and other explanatory information (“financial statements”), as set out on pages 5 to 28.

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.



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 ("MEF"), and the Asian Development Bank ("ADB"). As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for management of the Project, MEF and ADB, and should not be used by 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

Lim Chew Teng
Partner



Phnom Penh, Kingdom of Cambodia

9 June 2020


Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of financial position as at 31 December 2019

	Note	As at 31 December 2019 US\$
Current assets		
Cash and bank balances	3	756,847
Advances to contractors	4	1,365,172
		<u>2,122,019</u>
Represented by:		
Fund balance at the end of the period		<u>2,122,019</u>



H.E. Vong Pisith

*Project Director
Ministry of Public Works and Transport*

Phnom Penh, Kingdom of Cambodia

9 June 2020



Mr. Mao Dor

Financial Management Specialist

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

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of receipts and expenditure for the period from 24 January 2018 to 31 December 2019

		Period from 24 January 2018 to 31 December 2019			
	Note	ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$
Receipts					
Asian Development Bank	5	4,166,141	-	-	4,166,141
Agence Francaise De Development	5	-	3,723,274	-	3,723,274
Government Counterpart fund	5	-	-	643,668	643,668
		<u>4,166,141</u>	<u>3,723,274</u>	<u>643,668</u>	<u>8,533,083</u>
Expenditure by disbursement category and financiers					
	6				
Civil works	7	2,677,601	2,403,362	375,991	5,456,954
Consulting services	8	329,540	295,773	-	625,313
Equipment	9	102,185	91,715	-	193,900
Incremental administrative costs	10	27,546	20,780	71,280	119,606
Interest charge		15,291	-	-	15,291
		<u>3,152,163</u>	<u>2,811,630</u>	<u>447,271</u>	<u>6,411,064</u>

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of receipts and expenditure (continued) for the period from 24 January 2018 to 31 December 2019

	Period from 24 January 2018 to 31 December 2019			
	ADB Loan No. 3630 US\$	AFD Loan No. 8335 US\$	RGC US\$	Total US\$
Excess of receipts over expenditure/Fund balance at the end of the period	1,013,978	911,644	196,397	2,122,019



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

Phnom Penh, Kingdom of Cambodia
9 June 2020



Mr. Mao Dor
Financial Management Specialist

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Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of advance account for the period from 24 January 2018 to 31 December 2019

ADB Loan No. 3630 – CAM (COL)

	Note	Period from 24 January 2018 to 31 December 2019 US\$
Receipts		
Initial advance	5	445,000
Expenditure		
Consulting services	8	60,893
Incremental administrative costs	10	27,546
		88,439
Excess of receipts over expenditure/Fund balance at the end of the period		356,561
Represented by:		
Cash at banks	3	356,561

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of advance account (continued) for the period from 24 January 2018 to 31 December 2019

AFD Loan No. 8335 – CAM

	Note	Period from 24 January 2018 to 31 December 2019 US\$
Receipts		
Initial advance	5	397,000
Expenditure		
Consulting services	8	54,654
Incremental administrative costs	10	20,780
		75,434
Excess of receipts over expenditure/ Fund balance at the end of the period		321,566
Represented by:		
Cash at banks	3	321,566

H.E. Vong Pisith

*Project Director
Ministry of Public Works and Transport*

Phnom Penh, Kingdom of Cambodia

9 June 2020

Mr. Mao Dor

Financial Management Specialist

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

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements for the period from 24 January 2018 to 31 December 2019

These notes form an integral part of, and should be read in conjunction with, the accompanying financial statements.

1. Background and activities

The Provincial Water Supply and Sanitation Project (“the Project”) was established under Loan Agreement No. 3630-CAM (COL), Grant Agreement No. 0561-CAM (EF) funded by the Asian Development Bank (“ADB”) and Loan Agreement No. 8335-CAM funded by Agence Francaise De Development (“AFD”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance).

The Provincial Water Supply and Sanitation Project (“the Project”) was approved by ADB on 7 December 2017, signed on 9 January 2018 and declared effective on 15 March 2018, with a Loan Agreement No. 3630-CAM (COL), Grant Agreement No. 0561-CAM (EF). The AFD approved on the Project with a Loan Agreement No. 8335-CAM (AFD CKH1188 01 V CFA) on 22 November 2017, signed and declared effective on 24 January 2018. The Project was estimated to cost US\$118.13 million, comprising of US\$50 million loan from ADB’s concessional ordinary capital resources, a US\$43.54 million (equivalent to EUR40.00 million) co-financing from AFD, a EUR3.58 million (equivalent to US\$4.05 million) grant from European Union’s Asia Investment Facility (“EU-AIF”), and another US\$10 million grant from the Japan Fund for the Joint Crediting Mechanism (“JFJCM”), funded by the Government of Japan and fully administered by ADB under Grant No. 0561-CAM (EF). RGC will provide the remaining US\$10.54 million for supplementary salaries for counterpart staff, taxes and duties, civil works, and equipment; and in-kind government contribution. The Project is scheduled to be completed on 31 December 2022 and a closing date of 30 June 2023.

The ADB Loan No. 3630-CAM (COL) will have a maturity period of 32 years including a grace period of 8 years with an interest rate of 1% per annum during the grace period and 1.5% per annum thereafter. The principal amount of the loan is payable on a semi-annually instalment commencing from 15 April 2026 and ending on 15 October 2049.

The AFD Loan No. 8335-CAM will have a maturity period of 20 years including a grace period of 7 years which no principal repayment is due and payable, with a tentative interest rate of 1.33% per annum for the entire period of the loan. Tentative interest rate provided by AFD, final figure may vary based on AFD’s negotiations with the government. The principal amount of the loan is payable on a semi-annually instalment commencing from 15 May 2025 and ending on 15 November 2037.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

1. Background and activities (continued)

The objective of the Project is to expand access to sustainable water supply services and sanitation infrastructure for urban areas.

The Project shall comprise of 3 outputs as the following:

Output 1: Improve piped water supply

- (a) construct new water treatment plants and new distribution networks;
- (b) develop a subsidized connection policy (modeled on Phnom Penh Water Supply Authority's approach) for the poor and disadvantaged households; and provide new laboratory equipment for monitoring and water quality testing.

Output 2: Improve sanitation

- (a) construct a new wastewater treatment plant and approximately 15 km of sewers in Battambang;
- (b) expand capacity of the wastewater treatment plant in Sihanoukville and construct approximately 32 km of sewers;
- (c) establish septage management facilities for collection, treatment and disposal in Kampong Cham; and
- (d) construct approximately 4 km trenchless trunk sewer in Siem Reap.

Output 3: Improve institutional effectiveness

- (a) develop institutional capacity in project management, operation and maintenance of the urban water supply and sanitation projects, interagency coordination, and public consultation and communication on water supply and sanitation services; and
- (b) support to PMUs in their relevant part of Project/subproject management, contract administration, safeguards implementation and monitoring, gender and community social development, accounting and financial management, procurement, and disbursement.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

1. Background and activities (continued)

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the ADB Loan No. 3630-CAM (COL) and the allocation of amounts of the Loan to each such category:

Allocation and Withdrawal of Loan Proceeds				
No.	Item	Total Amount Allocated for ADB Financing (US\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Water supply	21,895,000		47.91% of total expenditure claimed
2	Wastewater and sanitation	16,951,000		
2a	Battambang		4,594,000	24.54% of total expenditure claimed
2b	Sihanoukville		5,223,000	40.86% of total expenditure claimed
2c	Kampong Cham		199,000	45.40% of total expenditure claimed
2d	Siem Reap		6,935,000	47.94% of total expenditure claimed
3	Equipment and consulting services	2,871,000		52.70% of total expenditure claimed (*)
4	Project administration	597,000		57.00% of total expenditure claimed
5	Interest charge	1,381,000		100% of amounts due
6	Unallocated	6,305,000		
	Total	50,000,000		

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

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

1. Background and activities (continued)

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the JFJCM which is fully administered by ADB under Grant No. 0561-CAM (EF) and the allocation of amounts of the Grant to each such category:

Allocation and Withdrawal of Grant Proceeds			
No.	Item	Total Amount Allocated for JFJCM Financing (US\$)	Basis for Withdrawal from the Grant Account
1	Wastewater and sanitation (Battambang)	7,457,000	39.84% of total expenditure claimed
2	Consulting services	1,246,000	100% of total expenditure claimed (*)
3	Unallocated	1,297,000	
	Total	10,000,000	

(*) Exclusive of taxes and duties imposed within the territory of the Recipient.

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the European Union's Asia Investment Facility ("EU-AIF") and the allocation of amounts of the Grant to each such category:

Financing Plan			
		EU Contribution Investment grant (EUR)	EU Contribution Technical Assistance (EUR)
Component 2: Sanitation Projects			
	Battambang – Free sewerage connections	847,000	
	Sihanoukville – Free sewerage connections and solar mixers	1,743,000	
Component 3: Project Management and Technical Assistance			
	Capacity Development Programme		570,000
	Communication and visibility		420,000
	Total (EUR)	2,590,000	990,000
	Total (US\$ - equivalents)	2,932,270	1,120,830

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

1. Background and activities (continued)

The table below sets forth the categories of items of expenditure to be financed out of the proceeds of the AFD Loan No. 8335-CAM and the allocation of amounts of the Loan to each such category:

Allocation and Withdrawal of Loan Proceeds				
No.	Item	Total Amount Allocated for AFD Financing (US\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Water supply	19,651,000		43% of total expenditure claimed
2	Wastewater and sanitation	15,214,000		
2a	Battambang		4,123,000	22.02% of total expenditure claimed
2b	Sihanoukville		4,688,000	36.67% of total expenditure claimed
2c	Kampong Cham		179,000	40.75% of total expenditure claimed
2d	Siem Reap		6,224,000	43.03% of total expenditure claimed
3	Equipment and consulting services	2,576,000		47.30% of total expenditure claimed (*)
4	Project administration	451,000		43.00% of total expenditure claimed
5	Unallocated	5,647,000		
	Total	43,539,000		

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

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

1. Background and activities (continued)

On 16 October 2019 and 27 November 2019, the Project has requested for cancellation of subprojects in Sihanoukville and Kampong Cham and reallocation of ADB and AFD Loan proceeds to Battambang and Siem Reap.

The proposed reallocation of Loan proceeds for ADB is as indicated in the tables below:

Proposed Reallocation and Withdrawal of Loan Proceeds				
No.	Item	Total Amount of Proposed Reallocation for ADB Financing (US\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Water supply	21,895,000		47.91% of total expenditure claimed
2	Wastewater and sanitation	16,951,000		
2a	Battambang		9,817,000	24.54% of total expenditure claimed
2b	Sihanoukville		-	40.86% of total expenditure claimed
2c	Kampong Cham		-	45.40% of total expenditure claimed
2d	Siem Reap		7,134,000	47.94% of total expenditure claimed
3	Equipment and consulting services	2,871,000		52.70% of total expenditure claimed (*)
4	Project administration	597,000		57.00% of total expenditure claimed
5	Interest charge	1,381,000		100% of amounts due
6	Unallocated	6,305,000		
	Total	50,000,000		

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

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

1. Background and activities (continued)

The proposed reallocation of Loan proceeds for AFD is as indicated in the tables below:

Proposed Reallocation and Withdrawal of Loan Proceeds				
No.	Item	Total Amount of Proposed Reallocation for AFD Financing (US\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Water supply	19,651,000		43% of total expenditure claimed
2	Wastewater and sanitation	15,214,000		
2a	Battambang		8,811,000	22.02% of total expenditure claimed
2b	Sihanoukville		-	36.67% of total expenditure claimed
2c	Kampong Cham		-	40.75% of total expenditure claimed
2d	Siem Reap		6,403,000	43.03% of total expenditure claimed
3	Equipment and consulting services	2,576,000		47.30% of total expenditure claimed (*)
4	Project administration	451,000		43.00% of total expenditure claimed
5	Unallocated	5,647,000		
	Total	43,539,000		

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

The requests for the cancellation on the subprojects in Sihanoukville and Kampong Cham and reallocation of ADB and AFD Loan proceeds were subsequently approved by ADB on 19 February 2020.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

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 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, receipts are recognised when funds are received in cash and expenditure is recognised when payments are made rather than when it is incurred, except for the advances made to suppliers/staff which are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices.

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan and Grant Agreements, and is purely used to receive and disburse for expenditure funded/administered by the ADB.

(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. Monetary assets and liabilities in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the reporting date. All foreign exchange differences are recognised in the statement of receipts and expenditure and statement of advance account.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

2. Significant accounting policies (continued)

(f) In-kind contribution

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

3. Cash and bank balances

	As at 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
ADB	356,561	-	-	356,561
AFD	-	321,566	-	321,566
RGC	-	-	78,720	78,720
	<u>356,561</u>	<u>321,566</u>	<u>78,720</u>	<u>756,847</u>

These represent cash at banks maintained at National Bank of Cambodia ("NBC").

4. Advances to contractors

	As at 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
Beijing Urban Construction Group Co., Ltd.	511,164	458,811	117,677	1,087,652
RAMBOLL Danmark A/S in association with TANCONS (Cambodia) Co., Ltd.	146,253	131,267	-	277,520
	<u>657,417</u>	<u>590,078</u>	<u>117,677</u>	<u>1,365,172</u>

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

5. Receipts

	Period from 24 January 2018 to 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
Initial advance (*)	445,000	397,000	150,000	992,000
Direct payments (**)	3,721,141	3,326,274	493,668	7,541,083
	<u>4,166,141</u>	<u>3,723,274</u>	<u>643,668</u>	<u>8,533,083</u>

(*) The receipts from ADB Loan No. 3630-CAM (COL) and AFD Loan No. 8335-CAM and RGC were paid to the advance account co-held by the Ministry of Economy and Finance ("MEF") and the Ministry of Public Works and Transport at the National Bank of Cambodia ("NBC"). This is a separate bank account held exclusively for the Project.

(**) Direct payment represents the payment paid directly to the suppliers by the ADB, AFD and RGC on behalf of the Project.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued)
for the period from 24 January 2018 to 31 December 2019

6. Expenditure by disbursement category

Particulars	ADB Loan No. 3630-CAM (COL)			AFD Loan No. 8335-CAM			RGC			Total
	% of financing	Actual expenditure		% of financing	Actual expenditure		% of financing	Actual expenditure		
	%	US\$	%	%	US\$	%	%	US\$	%	
Civil works	42.17%	2,677,601	49%	37.85%	2,403,362	44%	9.16%	375,991	7%	5,456,954
Consulting services	52.70%	329,540	53%	47.30%	295,773	47%	9.09%	-	0%	625,313
Equipment		102,185			91,715			-		
Incremental administrative costs	57%	27,546	23%	43%	20,780	17%	46%	71,280	60%	119,606
Interest charge	100%	15,291	100%	0%	-	0%	0%	-	0%	15,291
Total payments – for the period from 24 January 2018 to 31 December 2019		3,152,163			2,811,630			447,271		6,411,064
% of total project costs – for the period from 24 January 2018 to 31 December 2019		6.30%			6.46%			4.24%		

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

7. Civil works

	Period from 24 January 2018 to 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
Beijing Urban Construction Group Co., Ltd. (Direct payments)	2,677,601	2,403,362	375,991	5,456,954

8. Consulting services

	Period from 24 January 2018 to 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
RAMBOLL Danmark A/S in association with TANCONS (Cambodia) Co., Ltd. (Direct payments)	268,647	241,119	-	509,766
<i>Via advance account:</i>				
National finance assistant	4,082	3,665	-	7,747
National procurement specialist	17,391	15,609	-	33,000
Senior sewerage/ wastewater engineer	39,420	35,380	-	74,800
	60,893	54,354	-	115,547
	329,540	295,773	-	625,313

9. Equipment

	Period from 24 January 2018 to 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
Vehicles	102,185	91,715	-	193,900

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

10. Incremental administrative costs

	Period from 24 January 2018 to 31 December 2019			
	ADB Loan No.3630 US\$	AFD Loan No.8335 US\$	RGC US\$	Total US\$
Staff salary	-	-	68,545	68,545
Office running cost	2,247	1,695	-	3,942
Vehicle running cost	5,203	3,925	2,735	11,863
Travel cost	20,096	15,160	-	35,256
	<u>27,546</u>	<u>20,780</u>	<u>71,280</u>	<u>119,606</u>

All payments on incremental administrative costs were made through advance account during the period.

11. Commitment

As at 31 December 2019, the Project has the following commitments:

	As at 31 December 2019 US\$
Civil works	6,410,555
Consulting services	2,474,402
	<u>8,884,957</u>

12. Comparative figures

There are no comparative figures as this is the first set of financial statements prepared since the commencement of the Project.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

13. In-kind contribution

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

	Period from 24 January 2018 to 31 December 2019 US\$
Office space	65,088
Salaries of project staff	136,536
Utilities (electricity and water)	32,501
Taxation	
Withholding tax	21,101
Value-added tax	19,390
	<hr/>
	274,616
	<hr/> <hr/>

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued) for the period from 24 January 2018 to 31 December 2019

14. Statement of disbursement

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

		Period from 24 January 2018 to 31 December 2019 US\$
ADB Fund claims during the period		
Initial advance		445,000
Direct payments		3,721,141
Subtotal	(A)	<u>4,166,141</u>
Total expenditure made during the period	(B)	6,411,064
Expenditure made out of RGC Fund	(C)	(447,271)
Expenditure made out of AFD Fund	(D)	(2,811,630)
Expenditure incurred during the period but not yet claimed	(E)	(88,439)
Advance made to the contractors during the year	(F)	657,417
Initial advance remains unused	(G)	445,000
Total expenditure made during the period (A=H=B+C+D+E+F+G)	(H)	<u>4,166,141</u>

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued)

for the period from 24 January 2018 to 31 December 2019

15. Statement of withdrawals

Period from 24 January 2018 to 31 December 2019									
Withdrawal application				Category					Total
No.	Date	Currency	Civil works	Consulting services	Equipment	Incremental administrative costs	Interest charges	Initial advance	
ADB Loan No. 3630-CAM (COL)									
Initial advance									
AA001	9-Oct-18	US\$	-	-	-	-	-	445,000	445,000
Sub-total (A)			-	-	-	-	-	445,000	445,000
Direct payments									
AA002	15-Jan-19	US\$	931,606	-	-	-	-	-	931,606
AA003	18-Jan-19	US\$	-	250,719	-	-	-	-	250,719
AA004	29-Apr-19	US\$	-	-	102,185	-	-	-	102,185
AA005	20-Sep-19	US\$	1,689,262	-	-	-	-	-	1,689,262
AA006	23-Sep-19	US\$	-	64,203	-	-	-	-	64,203
AA007	6-Dec-19	US\$	567,898	-	-	-	-	-	567,898
AA008	6-Dec-19	US\$	-	99,977	-	-	-	-	99,977
Sub-total (B)			3,188,766	414,899	102,185	-	-	-	3,705,850
Interest charge									
CAP	15-Oct-18	US\$	-	-	-	-	74	-	74
CAP	15-Apr-19	US\$	-	-	-	-	5,161	-	5,161
CAP	15-Oct-19	US\$	-	-	-	-	10,056	-	10,056
Sub-total (C)			-	-	-	-	15,291	-	15,291
Sub-total (A+B+C)			3,188,766	414,899	102,185	-	15,291	445,000	4,166,141

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued)

for the period from 24 January 2018 to 31 December 2019

15. Statement of withdrawals (continued)

Period from 24 January 2018 to 31 December 2019 (continued)									
Withdrawal application				Category					Total
No.	Date	Currency	Civil works	Consulting services	Equipment	Incremental administrative costs	Interest charges	Initial advance	
<i>AFD Loan No. 8335-CAM</i>									
<i>Initial advance</i>									
AB001	8-Mar-19	US\$	-	-	-	-	-	397,000	397,000
Sub-total (D)			-	-	-	-	-	397,000	397,000
<i>Direct payments</i>									
AB002	5-Mar-19	US\$	836,190	-	-	-	-	-	836,190
AB003	5-Mar-19	US\$	-	225,029	-	-	-	-	225,029
AB004	5-Jun-19	US\$	-	-	91,715	-	-	-	91,715
AB005	16-Sep-19	US\$	1,516,248	-	-	-	-	-	1,516,248
AB006	18-Sep-19	US\$	-	57,625	-	-	-	-	57,625
AB007	11-Dec-19	US\$	509,734	-	-	-	-	-	509,734
AB008	11-Dec-19	US\$	-	89,733	-	-	-	-	89,733
Sub-total (E)			2,862,172	372,387	91,715	-	-	-	3,326,274
Sub-total (D+E)			2,862,172	372,387	91,715	-	-	397,000	3,723,274

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued)
for the period from 24 January 2018 to 31 December 2019

15. Statement of withdrawals (continued)

Period from 24 January 2018 to 31 December 2019 (continued)									
Withdrawal application				Category					Total
No.	Date	Currency	Civil works	Consulting services	Equipment	Incremental administrative costs	Interest charges	Initial advance	
<i>Government Counterpart Fund</i>									
<i>Direct payment</i>									
AC001	20-Sep-18	US\$	-	-	-	-	-	150,000	150,000
AC002	10-Jun-19	US\$	175,478	-	-	-	-	-	175,478
AC005	11-Oct-19	US\$	318,190	-	-	-	-	-	318,190
Sub-total (F)			493,668	-	-	-	-	150,000	643,668
Grand Total (G)=(A)+(B)+(C)+(D)+(E)+(F)			6,544,606	787,286	193,900	-	15,291	992,000	8,533,083



H.E. Vong Pisith

Project Director
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia
9 June 2020



Mr. Mao Dor

Financial Management Specialist

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Notes to the financial statements (continued)
for the period from 24 January 2018 to 31 December 2019

16. Statement of budget versus actual expenditure

Description	Period from 24 January 2018 to 31 December 2019			
	Budget (unaudited)	Actual	Variance	
	US\$	US\$	US\$	%
Civil works	6,618,074	5,456,954	(1,161,120)*	-18%
Consulting services	1,178,993	625,313	(553,680)*	-47%
Equipment	193,900	193,900	-	0%
Incremental administrative costs	159,306	119,606	(39,700)	-25%
Interest charge	15,291	15,291	-	0%
Total	8,165,564	6,411,064	(1,754,500)	-21%

(*) Included in the budget for civil works and consulting services was an amount of US\$1,087,652 and US\$277,520, respectively, that had already been disbursed to the contractors as at 31 December 2019; and being recorded as advances to contractors (see Note 4). Therefore, after taking into accounts the aforementioned advanced payment, the total variance between budget versus actual expenditure for civil works decreased from US\$1,161,120 to US\$73,468 and for consulting services decreased from US\$553,680 to US\$276,160.



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

Phnom Penh, Kingdom of Cambodia

9 June 2020



Mr. Mao Dor
Financial Management Specialist

PART II

**Independent Assurance Report on Compliance
with the Financing Agreements
for the period from 24 January 2018 to
31 December 2019**



Ministry of Public Works and Transport

Management assertion

I, on behalf of the Project's management of ADB Loan No. 3630-CAM (COL), ADB Grant Agreement No. 0561-CAM (EF) and Agence Francaise De Development Loan Agreement No. 8335-CAM do hereby state that the Project's Statement of Compliance for the period from 24 January 2018 to 31 December 2019 is, all material respects, prepared in compliance with the Financing Agreements in particular:

- (i) The PMU has utilised the proceeds of the loan/grant, in all material respect, for the purpose 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 set out in the Financing Agreements;
- (iii) The Advance account procedures, have been operated, in all material respects, in accordance with ADB's Loan/Grant Disbursement Handbook;
- (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 period from 24 January 2018 to 31 December 2019. 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 Project Management,

H.E Vong Pisith

Project Director

Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

9 June 2020



KPMG Cambodia Ltd
4th Floor, Delano Center
No. 144, Street 169, Sangkat Veal Vong
Khan 7 Makara, Phnom Penh
Kingdom of Cambodia
+855 23 216 899 | kpmg.com.kh

INDEPENDENT REASONABLE ASSURANCE REPORT

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

We refer to the ADB Loan Agreement No. 3630-CAM (COL), ADB Grant Agreement No. 0561-CAM (EF), AFD Loan Agreement No. 8335-CAM (“the Financing Agreements”), which sets out the requirements for the Provincial Water Supply and Sanitation Project (“the Project”) to comply with the Loan/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 33 to 37 for the period from 24 January 2018 to 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 for the period from 24 January 2018 to 31 December 2019.
- (ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements for the period from 24 January 2018 to 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 compliance with those requirements set out by the Financing Agreements and for the information contained therein on pages 33 to 37.

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 compliance 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 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 of Compliance 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 for the period from 24 January 2018 to 31 December 2019.
- (ii) The Project has complied, in all material respects, with the covenants of the Financing Agreements for the period from 24 January 2018 to 31 December 2019.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Project, MEF and ADB for any purpose or in any context. Any party other than the Project, MEF and 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.

Our report is released to the Project, MEF and 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



Lim Chew Teng
Partner

Phnom Penh, Kingdom of Cambodia

9 June 2020

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of Compliance with the Financing Agreements for the period from 24 January 2018 to 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. 3630-CAM (COL), Grant Agreement No. 0561-CAM (EF) and AFD Loan Agreement No. 8335 -CAM (“the Financing Agreements”), which set out the requirements for the Provincial Water Supply and Sanitation Project (“the Project”) to comply with and is prepared by the Project’s management based on the key relevant provisions in which the 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’s 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 to be applied to the financing of expenditures on the Project in accordance with the provisions of the Agreements.	Yes, complied with.
3.02	The proceeds of the funds shall be allocated and withdrawn in accordance with the provisions of the Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Project and ADB.	Yes, complied with.
3.03	Except as ADB may otherwise agree, the Project shall procure, or cause to be procured, items of expenditure to be financed out of the proceeds of the Loan/Grant in accordance with the provisions of Schedule 4 (See Appendix) of the Agreements.	Yes, complied with.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of Compliance with the Financing Agreements (continued) for the period from 24 January 2018 to 31 December 2019

1. Criteria (continued)

Section	Description	Management's assertions
Article III: Use of Proceed of Loan (continued)		
4.02	<p>(a) The Project shall:</p> <p>(i) Maintain separate accounts and records for the Projects;</p> <p>(ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB;</p> <p>(iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB;</p> <p>(iv) as part of each such audit, have the auditors prepare a report, which includes the auditor's opinions on</p> <p>(a) the financial statements</p> <p>(b) the use of the Loan proceeds</p> <p>(c) a management letter;</p> <p>(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.</p>	<p>(a):</p> <p>(i) Yes, complied with</p> <p>(ii) This is the first set of audited financial statements prepared in accordance with a modified cash basis of accounting.</p> <p>(iii) Financial statements are audited by KPMG Cambodia Ltd.</p> <p>(iv) (a)&(b) Refer to Report of Independent Auditor and the Independent Reasonable Assurance Report.</p> <p>(c) No deficiencies noted.</p> <p>(v) Not applicable. This is a new project with the first period audit.</p>

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of Compliance with the Financing Agreements (continued) for the period from 24 January 2018 to 31 December 2019

1. Criteria (continued)

Section	Description	Management's assertions
Article III: Use of Proceed of Loan (continued)		
	(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.	(b) Yes, complied with.
4.03	The Project shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.	Yes, complied with.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of Compliance with the Financing Agreements (continued) for the period from 24 January 2018 to 31 December 2019

2. Appendix to the Statement of Compliance

Section	Description
Schedule 3: Allocation and withdrawal of the loan proceeds	
2	The proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.
3	The amount allocated to Category "Interest Charge" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.
5	The Loan proceeds shall be disbursed in accordance with the Loan 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, Works and Consulting Services may also be procured under the Project from non-member countries of ADB.
5	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.
8	The Borrower shall not award any Works contracts which involves environmental impacts until the Project Executing Agency has: (a) obtained the final approval of the IEE from the Borrower's relevant authority; and (b) incorporated the relevant provisions from the EMP into the Works contract.
9	The Borrower through MIH and MPWT shall not award any Works contract which involves involuntary resettlement impacts, until the final RP based on the Project's detailed design has been prepared and submitted to, and cleared by ADB.

Ministry of Public Works and Transport

Provincial Water Supply and Sanitation Project

ADB Loan No. 3630-CAM (COL), ADB Grant No. 0561-CAM (EF) and AFD Loan No. 8335-CAM

Statement of Compliance with the Financing Agreements (continued) for the period from 24 January 2018 to 31 December 2019

2. Appendix to the Statement of Compliance (continued)

Section	Description
Schedule 4: Procurement of Goods, Works and Consulting Services (continued)	
10	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
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.