

ROYAL GOVERNMENT OF CAMBODIA
MINISTRY OF PUBLIC WORKS AND TRANSPORT
Greater Mekong Subregion (GMS)
Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL),
ADB SCF Loan No. 8265 – CAM (SCF),
ADB SCF Grant No. 0335 – CAM (SCF) and
UEIF Grant No. 0334 – CAM (UEIF)

Financial Statements
and Statement of Compliance
for the year ended 31 December 2020

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),
ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

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PART I

**Financial Statements
for the year ended 31 December 2020
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 comprises the statement of receipts and payments and statement of advance account for the year ended 31 December 2020 and notes as set out on pages 6 to 39 of the GMS Southern Economic Corridor Towns Development Project (“the Project”), under the Asian Development Bank Loan No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF), ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) and the Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) and implemented by the Ministry of Public Works and Transport (“MPWT”, “the Project Management Unit” or “the PMU”) present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”).

On behalf of the Project management:

H.E. Vong Pisith

Project Director

Deputy Director General

Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021



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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 GMS Southern Economic Corridor Towns Development Project (“the Project”), funded by the Asian Development Bank Loan No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF), ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) and the Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) and implemented by the Ministry of Public Works and Transport (“MPWT”, “the Project Management Unit” or “the PMU”), which comprises the statement of receipts and payments and statement of advance account for the year ended 31 December 2020 and notes, comprising significant accounting policies and other explanatory information as set out on pages 6 to 39 (hereafter referred to as “the financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, of the cash receipts and payments of the Project for the year ended 31 December 2020 in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”).

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.



Other Matter

As stated in Note 14 to the financial statements, the Project adopted Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”) on 1 January 2020 with a transition date of 1 January 2019. These standards were applied retrospectively to the comparative information in these financial statements, including, the statement of receipts and payments and statement of advance account of the Project for the year ended 31 December 2019 and related explanatory notes.

We were not engaged to audit on the restated comparative information and it is unaudited. Our responsibilities in respect of this comparative information is to determine whether the financial statements include the comparative information required by CPSAS and whether such information is appropriately classified.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Appendix I on page i, but does not include the financial statements and our auditors’ report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter - Restriction on Use

We draw attention to Note 2 to the financial statements, which describes 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 the management of the Project, MEF and ADB and should not be used by other parties other than the management of the Project, MEF and ADB. 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 and fair presentation of the financial statements in accordance with CPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, 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 the 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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

Nge Huy

Partner

Phnom Penh, Kingdom of Cambodia

31 May 2021

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of receipts and payments for the year ended 31 December 2020

	Note	Year ended 31 December 2020					Year ended 31 December 2019 Total US\$	Cumulative for the period from 8 April 2013 to 31 December 2020 US\$	
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$			Total US\$
Receipts									
Asian Development Bank	5 (a)	12,637,380	-	-	-	-	12,637,380	6,495,190	26,397,526
ADB Strategic Climate Fund Urban Environment	5 (b)	-	1,671,038	1,354,599	-	-	3,025,637	2,254,279	7,468,466
Infrastructure Fund	5 (c)	-	-	-	-	-	-	150,000	1,500,000
Government Counterpart Fund	5 (d)	-	-	-	-	56,893	56,893	61,519	394,391
		<u>12,637,380</u>	<u>1,671,038</u>	<u>1,354,599</u>	<u>-</u>	<u>56,893</u>	<u>15,719,910</u>	<u>8,960,988</u>	<u>35,760,383</u>
Payments by category and financier									
Civil works	6	11,820,769	1,509,883	1,203,490	-	-	14,534,142	7,762,690	28,636,117
Consulting services	7	480,807	130,169	123,956	-	-	734,932	1,003,732	5,367,722
Non-expendable equipment		-	-	-	-	-	-	-	367,282
Incremental administration	8	44,331	-	-	-	56,973	101,304	123,689	757,564
Interest and Service charge		186,122	2,661	-	-	-	188,783	180,848	369,631
		<u>12,532,029</u>	<u>1,642,713</u>	<u>1,327,446</u>	<u>-</u>	<u>56,973</u>	<u>15,559,161</u>	<u>9,070,959</u>	<u>35,498,316</u>
Increase/(Decrease) in cash		<u>105,351</u>	<u>28,325</u>	<u>27,153</u>	<u>-</u>	<u>(80)</u>	<u>160,749</u>	<u>(109,971)</u>	<u>262,067</u>

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of receipts and payments (continued) for the year ended 31 December 2020

Note	Year ended 31 December 2020						Year ended 31 December 2019 Total US\$	Cumulative for the period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$		
Cash at beginning of the year/period	63,071	5,825	5,092	-	27,330	101,318	211,289	-
(Decrease)/Increase in cash	105,351	28,325	27,153	-	(80)	160,749	(109,971)	262,067
Cash at end of the year/period	4	168,422	34,150	32,245	-	27,250	262,067	101,318

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

Phnom Penh, Kingdom of Cambodia

31 May 2021

Mr. Mao Dor
Financial Management Specialist
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of advance account for the year ended 31 December 2020

	Note	Year ended 31 December 2020				Total US\$	Year ended 31 December 2019 US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$			
Part A								
Beginning cash balance		63,071	5,825	5,092	-	73,988	179,514	-
Receipt:								
Initial Advance		-	-	-	-	-	-	305,000
Amount replenished by ADB		175,534	28,325	27,153	-	231,012	-	681,272
		<u>238,605</u>	<u>34,150</u>	<u>32,245</u>	-	<u>305,000</u>	<u>179,514</u>	<u>986,272</u>
Payments made from advance accounts								
Civil works		25,853	-	-	-	25,853	38,781	64,633
Consulting services		-	-	-	-	-	-	259,402
Non-expendable equipment		-	-	-	-	-	-	27,976
Incremental administration		44,330	-	-	-	44,330	66,745	399,444
		<u>70,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,183</u>	<u>105,526</u>	<u>751,455</u>
Ending cash balance	4	<u>168,422</u>	<u>34,150</u>	<u>32,245</u>	-	<u>234,817</u>	<u>73,988</u>	<u>234,817</u>

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of advance account (continued) for the year ended 31 December 2020

		Year ended 31 December 2020					Year ended 31 December 2019 US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
		ADB Loan No. 2983 US\$	ADB Loan No. 8265 US\$	ADB Grant No. 0335 US\$	ADB Grant No. 0334 US\$	Total US\$		
Part B – Advance account reconciliation								
Initial advance	A	238,605	34,150	32,245	-	305,000	305,000	305,000
Balance of advance account as of 31 December per bank statement		168,422	34,150	32,245	-	234,817	73,771	234,817
Less: Outstanding cheque		-	-	-	-	-	-	-
Add: Petty cash balance		-	-	-	-	-	217	-
Total cash balance	B	168,422	34,150	32,245	-	234,817	73,988	234,817
Add: Amount of eligible expenditure claimed during the year	C	-	-	-	-	-	-	-
Add: Amount claimed in previous year not yet credited at date of bank statement	D	-	-	-	-	-	-	-
Less: Interest income	E	-	-	-	-	-	-	-

Ministry of Public Works and Transport

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Statement of advance account (continued) for the year ended 31 December 2020

	Note	Year ended 31 December 2020				Total US\$	Year ended 31 December 2019 US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
		ADB Loan No. 2983 US\$	ADB Loan No. 8265 US\$	ADB Grant No. 0335 US\$	ADB Grant No. 0334 US\$			
Total amount withdrawn from the advance account but not yet claimed for replenishment (a+b+c+d)	F	70,183	-	-	-	70,183	231,012	70,183
a. Sub-accounts		70,183	-	-	-	70,183	223,436	70,183
b. Transfer in transit		-	-	-	-	-	7,576	-
c. Current year withdrawn from advance		-	-	-	-	-	-	-
Accounts but not yet claimed for replenishment		-	-	-	-	-	-	-
d. Other– Previous year withdrawn from account but not yet claimed for replenishment		-	-	-	-	-	-	-
Total advance accounted for (B+C+D+E+F)		238,605	34,150	32,245	-	305,000	305,000	305,000



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

Phnom Penh, Kingdom of Cambodia

31 May 2021

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



Mr. Mao Dor
Financial Management Specialist
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),
ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Notes to the financial statements for the year ended 31 December 2020

1. Background and activities

The financing agreements (“the Agreements”) for the GMS Southern Economic Corridor Towns Development Project (“the Project”) between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance (“MEF”)) was signed on 8 April 2013. The Ministry of Public Works and Transport (“MPWT” or “PMU”) is responsible for the implementation of this Project. The agreement includes ADB Loan No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF) and ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) in which ADB is acting in its capacity as an implementing agency of the Strategic Climate Fund (“SCF”), Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF), whereby the ADB agreed to offer loan and grant amounting to Special Drawing Rights 24,023,000 (US\$37,000,000 equivalent at the time of loan negotiation); US\$5,000,000; US\$4,400,000 and US\$1,500,000; respectively. The Project is estimated to be cost at US\$47,900,000.

The effective date of the Project was 8 April 2013 and was expected to be completed by 30 June 2019. On 3 April 2017, the Project requested to the MEF to extend the Project’s completion from 30 June 2019 to 30 June 2021. Later on, the Project requested another extension to 31 December 2023. The extension of the closing date of ADB Loan No. 2983 – CAM(COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF) and ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) was approved by ADB on 16 June 2017 and 16 March 2021 respectively. Whereas, urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) has been formally closed on 30 June 2019. The Grant proceeds were 100% utilised. The request was approved by the ADB on 8 July 2019.

The objective of the Project is to improve urban infrastructure and enhance climate resilience in Battambang, Bavet, Neak Loeung and Poipet. The Project has three key outputs:

- (i) Strategic Local Economic Development Plans (“SLEDP”) adopted and implemented in Battambang, Bavet, Neak Loeung, and Poipet;
- (ii) Priority urban infrastructure investments implemented; and
- (iii) Institutional capacities strengthened.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),
ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

ADB Loan No. 2983 – CAM (COL) is repayable over 23 years, from 1 May 2021 to 1 November 2044, with an interest rates of 1% per annum during the grace period to 1 May 2021 and 1.5% per annum thereafter.

ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF) is repayable over 30 years, from 1 May 2023 to 1 November 2052, with an interest rate of 0.10% per annum.

On 14 December 2016, the Project, through the MEF, requested to the ADB to revise Loan and Grant categories and reallocation of Loan and Grant proceeds. The request was approved by the ADB on 26 January 2017.

ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) shall cause the proceeds of the Grants to be applied to the financing of expenditures on the project in accordance with the provisions of Grants agreement and ADB Loan agreement. The proceeds of Grant shall be allocated on the basic of the withdrawal percentage for categories items of expenditure.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

The tables below set forth the original and revised and reallocated categories of items of payment to be financed out of the proceeds of the financiers as follows:

a). Original and reallocated budget for ADB Loan No. 2983 – CAM (COL) – all amounts in SDR

Category No.		Item	Original allocation		Original % basis for withdrawal from Loan Account	Revised allocation (19 March 2020)		Revised % basis for withdrawal from Loan Account
Original	Revised		Category	Sub-category		Category	Sub-category	
1	1	Work	18,451,000			20,038,406		
	1A	Battambang/Poipet Storm Drainage		11,510,000		5,390,179	62.4% *	
	1B	Road & Solid waste management		6,941,000		6,966,696	100.0% *	
1A		Battambang wastewater treatment		6,247,000				
1D		Bavet urban roads		5,010,000				
1F		Poipet wastewater treatment		1,576,000				
1C		Bavet wastewater treatment		1,277,000				
1G		Poipet solid waste management		1,931,000				
	1H	Bavet storm Drainage/Neak Loeung flood control				7,681,531	77.03%*	
1E		Neak Loeung flood control		1,581,000				
1B		Battambang flood control		829,000				
2	2	Consulting services	2,436,480			2,890,253		
2A	2A	Project implementation support and capacity development		986,000	71.5%	1,914,392	71.5% *	
2B	2B	Detailed engineering design		580,519	77.6%	451,736	77.6% *	
2C	2C	Consultant supervision		788,961	77.6%	524,125	58.0% *	
2D	2D	External monitoring		81,000	100.0%			
3	3	Equipment	227,273		100.0%	262,255	100.0%	
4	4	Training	97,403		100.0%			
5	5	Incremental administration	467,532			250,085		
5A	5A	Project management unit		233,766	81.3%	147,665	100.0%	
5B	5B	Project implementation unit		233,766	81.1%	102,420	100.0%	
6	6	Unallocated	1,760,948					
7	7	Interest during construction	582,000		100.0% **	582,000	100.0% **	
		Total	24,023,000			24,023,000		

* % of total expenditure claimed, exclusive of taxes and duties imposed with the facilities of the borrower,

** Total amount due.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

b). Original and reallocated budget for ADB SCF Loan No. 8265 – CAM (SCF) – all amounts in US\$

Category No.		Item	Original allocation		Original % basis for withdrawal from Loan Account	Revised allocation (19 May 2020)		Revised % basis for withdrawal from Loan Account
Original	Revised		Category	Sub-category		Category	Sub-category	
1	1	Work	3,780,000			4,086,055		
	1A	Battambang/Poipet Storm Drainage				1,828,652	15.3% *	
1A		Battambang wastewater treatment		1,745,000	13.6%			
1E		Poipet Loeung wastewater treatment		609,000	17.0%			
	1H	Bavet Dstorm Drainage/Neak Loeung flood control				2,257,403	16.6% *	
1C		Bavet wastewater treatment		494,000	17.0%			
1D		Neak Loeung flood control		611,000	17.0%			
1B		Battambang flood control		321,000	17.0%			
2	2	Consulting services	623,000			899,654		
2A	2A	Project implementation support and capacity development		300,000		531,139	14.2% *	
2B	2B	Detailed engineering design		139,000	14.2%	98,080	12.1% *	
2C	2C	Consultant supervision		184,000	12.1%	270,435	22.0% *	
3	3	Incremental administration	80,000			1,291		
	3A	Project management unit		40,000	9.0%	1,291		
	3B	Project implementation unit		40,000	9.0%			
4	4	Interest during construction	13,000		13.9%	13,000	100%**	
5	5	Unallocated	504,000		1.5%**			
		Total	5,000,000			5,000,000		

* % of total expenditure claimed, exclusive of taxes and duties imposed with the facilities of the borrower.

** Total amount due.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

c). Original and reallocated budget for ADB SCF Grant No. 0335 – CAM (SCF) – all amounts in US\$

Category No.		Item	Original allocation		Original % basis for withdrawal from Grant Account	Revised allocation (19 May 2020)		Revised % basis for withdrawal from Grant Account
Original	Revised		Category	Sub-category		Category	Sub-category	
1	1	Work	3,270,000			3,531,513		
	1A	Battambang/Poipet Storm Drainage				2,665,290	22.3% *	
1A		Battambang wastewater treatment		1,481,000	11.5%			
1E		Poipet wastewater treatment		536,000	15.0%			
1C		Bavet wastewater treatment		434,000	15.0%			
1D		Neak Loeung flood control		537,000	15.0%			
	1H	Bavet Storm Drainage/Neak Loeung flood control				866,223	6.3% *	
1B		Battambang flood control		282,000	15.0%			
2	2	Consulting services	590,000			867,096		
2A	2A	Project implementation support and capacity development		304,000	14.3%		537,757	14.3% *
2B	2B	Detailed engineering design		119,000	10.3%		83,489	10.3% *
2C	2C	Consultant supervision		167,000	10.7%		245,850	20.0% *
2D	2D	External monitoring						
3	3	Incremental administration	87,000			1,391		
3A		Project management unit		43,000	9.7%		1,391	
3B		Project implementation unit		44,000	9.9%			
4	4	Unallocated	453,000		12.5%			
		Total	4,400,000			4,400,000		

* % of total expenditure claimed, exclusive of taxes and duties imposed with the facilities of the borrower.

Ministry of Public Works and Transport

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Notes to the financial statements (continued) for the year ended 31 December 2020

1. Background and activities (continued)

d). Original and reallocated budget for UEIF Grant No. 0334 – CAM (UEIF) – all amounts in US\$

Category No.		Item	Original allocation		Original % basis for withdrawal from Grant Account	Revised allocation (19 March 2020)		Revised % basis for withdrawal from Grant Account
Original	Revised		Category	Sub-category		Category	Sub-category	
1	1	Work	1,254,000			1,500,000		
	1A	Material recovery facilities				1,500,000		100% *
1A		Battambang material recovery facilities		430,000	100%			
1B		Bavet material recovery facilities		382,000	100%			
1C		Poipet material recovery facilities		442,000	100%			
2		Consulting services	109,000					
2A		Battambang material recovery facilities		37,000	100%			
2B		Bavet material recovery facilities		33,000	100%			
2C		Poipet material recovery facilities		39,000	100%			
3	3	Unallocated	137,000					
		Total	1,500,000			1,500,000		

* % of total expenditure claimed, exclusive of taxes and duties imposed with the facilities of the borrower.

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Notes to the financial statements (continued) for the year ended 31 December 2020

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards (“CPSAS”). These are the first set of financial statements prepared in accordance with CPSAS and Part 1 Section 1.8 *Effective Date of Part 1 and Transitional Provisions* has been applied.

In the previous financial years, the financial statements were 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.

The Project has applied consistently to all periods presented in these financial statements and in preparing the opening CPSAS statement of receipts and payments and statement of advance account at 1 January 2019 for the purposes of the transition to CPSAS.

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.

An explanation of how the transition to CPSAS has affected the reported statement of receipts and payments and statement of advance account of the Project is provided in Note 14.

(b) Basis of measurement

The financial statements expressed in United States Dollars (“US\$”) have been prepared under the historical cost convention.

3. Significant accounting policies

(a) Fund receipts and payments

Fund receipts are defined as the fund received by the Project from Development Partners and RGC. This is recognised when received and recorded as gross amounts of bank charges.

Payments represents all costs paid to support the objective of the Project and are recognised when paid.

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Notes to the financial statements (continued) for the year ended 31 December 2020

3. Significant accounting policies (continued)

(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 financed by the ADB loan and grant proceeds.

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and payments and the statement of advance accounts 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 charged by the ADB is a direct payment, and accounted for in the statement of receipts and payments as receipts with corresponding payment category.

(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 published by the National Bank of Cambodia.

Cash and bank balances in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the year/period-end date. All foreign exchange differences are recognised in the statement of receipts and payments and the statement of advance account.

(f) In-kind Contribution

All in-kind contribution from the RGC to the Project is not accounted for in the statement of receipts and payments and statement of advance account. In-kind contribution is disclosed in the note to the financial statements for information only.

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Notes to the financial statements (continued) for the year ended 31 December 2020

4. Cash

Cash comprises cash on hand, demand deposits and cash equivalents. Demand deposits and cash equivalents consist of balances with banks.

Cash included in the statement of receipts and payments and statement of advance account comprise the following amounts:

	As at 31 December 2020						As at 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$	
Cash on hand	-	-	-	-	-	-	217
Advance account – ADB	168,422	34,150	32,245	-	-	234,817	73,771
Advance account – RGC	-	-	-	-	27,250	27,250	27,330
	<u>168,422</u>	<u>34,150</u>	<u>32,245</u>	<u>-</u>	<u>27,250</u>	<u>262,067</u>	<u>101,318</u>

(*) These represent bank balances maintained in a separate bank account with the National Bank of Cambodia (“NBC”).

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Notes to the financial statements (continued) for the year ended 31 December 2020

5. Receipts

(a). Asian Development Bank

	Year ended 31 December 2020					Year ended 31 December 2019 Total US\$	Cumulative f for the period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$		
ADB							
Advance account (**)	175,534	-	-	-	-	175,534	-
Initial advances	-	-	-	-	-	-	596,065
							238,605
Sub-total	175,534	-	-	-	-	175,534	834,670
Direct payments (*)	12,461,846	-	-	-	-	12,461,846	25,562,856
	12,637,380	-	-	-	-	12,637,380	26,397,526

(*) Direct payments represent payments made by ADB directly to the suppliers upon the request from the Project.

(**) 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 financed by the ADB loan and grant proceeds.

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Notes to the financial statements (continued) for the year ended 31 December 2020

5. Receipts (continued)

(b) ADB Strategic Climate Fund

	Year ended 31 December 2020					Year ended 31 December 2019 Total US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$	
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$			Total US\$
ADB								
Advance accounts (**)	-	28,325	27,153	-	-	55,478	-	85,207
Initial advances	-	-	-	-	-	-	-	66,395
Sub-total	-	28,325	27,153	-	-	55,478	-	151,602
Direct payments (*)	-	1,642,713	1,327,446	-	-	2,970,159	2,254,279	7,316,864
	-	1,671,038	1,354,599	-	-	3,025,637	2,254,279	7,468,466

(*) Direct payments represent payments made by ADB directly to the suppliers upon the request from the Project.

(**) 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 financed by the ADB loan and grant proceeds.

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Notes to the financial statements (continued) for the year ended 31 December 2020

5. Receipts (continued)

(c) Urban Environment Infrastructure Fund

	Year ended 31 December 2020						Year ended 31 December 2019 Total US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$		
ADB								
Direct payments (*)	-	-	-	-	-	-	150,000	1,500,000

(d) Government Counterpart Fund

	Year ended 31 December 2020						Year ended 31 December 2019 Total US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$		
RGC								
Advance account	-	-	-	-	56,893	56,893	61,519	344,391
Initial advances	-	-	-	-	-	-	-	50,000
Total (**)	-	-	-	-	56,893	56,893	61,519	394,391

(*) The direct payments represent payments made directly for civil works, consulting services and non-expendable equipment from ADB fund on behalf of the Project.

(**) The receipts from Asian Development Bank for Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), and ADB SCF Grant No. 0335 – CAM (SCF), and ADB UEIF Grant No. 0334 – CAM (UEIF) were paid into the first generation imprest/advance account held by the Ministry of Economy and Finance. This is a separate bank account held exclusively for Loans and Grants at the National Bank of Cambodia. These receipts were then disbursed to the advance account held by the Ministry of Public Works and Transport at the Foreign Trade Bank of Cambodia (“FTB”).

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Notes to the financial statements (continued) for the year ended 31 December 2020

6. Civil works

	Year ended 31 December 2020					Year ended 31 December 2019 Total US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$		
Direct payments:							
Storm Drainage	6,156,165	1,509,883	1,203,490	-	-	8,869,538	17,546,344
Urban Road	5,444,856	-	-	-	-	5,444,856	9,331,245
Solid Waste Management	219,748	-	-	-	-	219,748	1,758,528
	<u>11,820,769</u>	<u>1,509,883</u>	<u>1,203,490</u>	<u>-</u>	<u>-</u>	<u>14,534,142</u>	<u>28,636,117</u>

Included in the above payment, there was no advance payments made to contractors during the year, however there were advance payments liquidated during the year ended 31 December 2020 amounting to US\$1,591,241 (2019 advance: US\$1,591,241; 31 December 2019: advance liquidated: US\$1,593,648). Refer to Note 11 for details.

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Notes to the financial statements (continued) for the year ended 31 December 2020

7. Consulting services

	Year ended 31 December 2020					Year ended 31 December 2019 Total US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$		
Direct payments:							
Project implementation support and capacity development	288,895	57,375	57,780	-	-	404,050	3,334,663
Construction supervision	191,912	72,794	66,176	-	-	330,882	954,065
Detail Engineering Design	-	-	-	-	-	-	810,572
	<u>480,807</u>	<u>130,169</u>	<u>123,956</u>	<u>-</u>	<u>-</u>	<u>734,932</u>	<u>5,099,300</u>
Advance account:							
Audit	-	-	-	-	-	-	9,020
Project implementation support and capacity development	-	-	-	-	-	-	195,724
Construction supervision	-	-	-	-	-	-	63,678
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,422</u>
Total	<u><u>480,807</u></u>	<u><u>130,169</u></u>	<u><u>123,956</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>734,932</u></u>	<u><u>5,367,722</u></u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

8. Incremental administration

	Year ended 31 December 2020					Year ended 31 December 2019 Total US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$		
Advance accounts:							
Project Management Unit	40,850	-	-	-	26,253	67,103	470,431
Project Implementation Unit	3,481	-	-	-	30,720	34,201	287,133
	<u>44,331</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,973</u>	<u>101,304</u>	<u>757,564</u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

9. Statement of disbursement

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

	Note	Year ended 31 December 2020 US\$	Year end 31 December 2019 US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
ADB Fund claims during the year/period				
Direct payments		15,432,005	8,899,469	34,379,720
Advance accounts		231,012	-	681,272
Initial advance		-	-	305,000
Subtotal	(A)	<u>15,663,017</u>	<u>8,899,469</u>	<u>35,365,992</u>
Total payments made during the year/period				
Payments made out of Government Counterpart Fund	(B)	15,559,161	9,070,959	35,498,316
Payments incurred not yet claimed during the period	(C)	(56,973)	(65,964)	(367,141)
Payments incurred not yet claimed during the period	(D)	(70,183)	(105,526)	(70,183)
Payments claimed in previous year, received in current year	(E)	231,012	-	-
Initial advance remains unused	(F)	-	-	305,000
Total eligible expenditure claimed (A = G = B + C + D + E +F)	(G)	<u><u>15,663,017</u></u>	<u><u>8,899,469</u></u>	<u><u>35,365,992</u></u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

10. Payments by category and financiers

Particulars	ADB Loan No. 2983 - CAM			ADB SCF Loan No. 8265 - CAM			ADB SCF Grant No. 0335 - CAM			ADB UEIF Grant No. 0334 - CAM			Royal Government of Cambodia ("RGC")		Total US\$
	% of financing	Actual expenditure		% of financing	Actual expenditure		% of financing	Actual expenditure		% of financing	Actual expenditure		Actual expenditure		
	%	US\$	%	%	US\$	%	%	US\$	%	%	US\$	%	US\$	%	
Civil Work															
<i>Battambang Storm drainage</i>	62.40	1,246,881	62.40	15.30	305,726	15.30	22.30	445,600	22.30	-	-	-	-	-	1,998,207
<i>Poi Pet Storm drainage</i>	62.40	1,123,556	62.40	15.30	275,487	15.30	22.30	401,527	22.30	-	-	-	-	-	1,800,570
<i>Bavet storm drainage</i>	77.03	3,785,728	74.66	16.60	928,670	18.31	6.37	356,363	7.03	-	-	-	-	-	5,070,761
<i>Subtotal Storm Drainage</i>		6,156,165			1,509,883			1,203,490							8,869,538
<i>Urban road</i>	100.00	5,444,856	100.00	-	-	-	-	-	-	-	-	-	-	-	5,444,856
<i>Solid waste management</i>	100.00	219,748	100.00	-	-	-	-	-	-	-	-	-	-	-	219,748
Consulting services															
<i>Project implementation support and capacity development</i>	71.50	288,895	71.50	14.20	57,375	17.71	14.30	57,780	14.30	-	-	-	-	-	404,050
<i>Construction supervision</i>	58.00	191,912	58.00	22.00	72,794	22.00	20.00	66,176	20.00	-	-	-	-	-	330,882
<i>Audit</i>	100.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-expendable equipment															
Incremental administration															
<i>Project Management Unit</i>	100.00	40,850	60.88	-	-	-	-	-	-	-	-	-	26,253	39.12	67,103
<i>Project Implementation Unit</i>	100.00	3,481	10.18	-	-	-	-	-	-	-	-	-	30,720	89.82	34,201
<i>Interest</i>	-	186,122	98.59	-	2,661	1.41	-	-	-	-	-	-	-	-	188,783
Total payments – for the year ended 31 December 2020		12,532,029			1,642,713			1,327,446					56,973		15,559,161
% of total project costs – for the year ended 31 December 2020		37.21%			32.85%			30.17%					0.13%		34.91%
% of cumulative expenses to total project costs – for the period from 8 April 2013 to 31 December 2020		77.89%			73.42%			84.80%				100%	0.82%		79.64%

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Notes to the financial statements (continued) for the year ended 31 December 2020

11. Advance to contractors

During the year, the Project incurred the following advance transactions:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
At beginning of the year	1,591,241	2,235,019
Addition for the year (*):		
Civil works	-	949,870
Liquidation:		
Civil works (Note 6)	<u>(1,591,241)</u>	<u>(1,593,648)</u>
At end of the year (**)	<u>-</u>	<u>1,591,241</u>

(*) The advances made during the year was recorded as expense in statement of receipts and payments upon incurred.

(**) This represented unliquidated advances which are maintained by way of an advance register by management's purpose.

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Notes to the financial statements (continued) for the year ended 31 December 2020

12. Statement of withdrawals

Withdrawal Application			Category							
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB Loan No. 2983 – CAM (COL)										
A0054	Direct Payment	24-Feb-20	US\$	154,327	-	-	-	-	-	154,327
A0055	Direct Payment	21-Feb-20	US\$	662,260	-	-	-	-	-	662,260
A0056	Direct Payment	27-Feb-20	US\$	-	63,233	-	-	-	-	63,233
A0057	Replenishment	27-Mar-20	US\$	38,780	16,599	-	120,155	-	-	175,534
A0058	Direct Payment	17-Mar-20	US\$	1,288,381	-	-	-	-	-	1,288,381
A0059	Direct Payment	20-Mar-20	US\$	222,001	-	-	-	-	-	222,001
A0060	Direct Payment	25-Mar-20	US\$	-	130,035	-	-	-	-	130,035
A0061	Direct Payment	20-Mar-20	US\$	292,310	-	-	-	-	-	292,310
A0062	Direct Payment	6-Apr-20	US\$	122,769	-	-	-	-	-	122,769
A0063	Direct Payment	6-Apr-20	US\$	904,832	-	-	-	-	-	904,832
A0064	Direct Payment	13-Apr-20	US\$	-	93,912	-	-	-	-	93,912
A0065	Direct Payment	13-Apr-20	US\$	292,310	-	-	-	-	-	292,310
A0067	Direct Payment	16-Apr-20	US\$	998,142	-	-	-	-	-	998,142
A0068	Direct Payment	16-Apr-20	US\$	254,684	-	-	-	-	-	254,684
A0069	Direct Payment	29-Apr-20	US\$	107,250	-	-	-	-	-	107,250
A0070	Direct Payment	26-May-20	US\$	181,782	-	-	-	-	-	181,782
A0071	Direct Payment	27-May-20	US\$	955,662	-	-	-	-	-	955,662
A0072	Direct Payment	29-Jun-20	US\$	1,344,269	-	-	-	-	-	1,344,269
A0073	Direct Payment	30-Jun-20	US\$	146,563	-	-	-	-	-	146,563
A0074	Direct Payment	1-Jul-20	US\$	-	61,758	-	-	-	-	61,758

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Notes to the financial statements (continued) for the year ended 31 December 2020

12. Statement of withdrawals (continued)

Withdrawal Application			Category							
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB Loan No. 2983 – CAM (COL) (continued)										
A0075	Direct Payment	16-Jul-20	US\$	867,142	-	-	-	-	-	867,142
A0076	Direct Payment	11-Sep-20	US\$	86,645	-	-	-	-	-	86,645
A0077	Direct Payment	10-Sep-20	US\$	157,345	-	-	-	-	-	157,345
A0078	Direct Payment	15-Sep-20	US\$	726,612	-	-	-	-	-	726,612
A0079	Direct Payment	7-Oct-20	US\$	376,703	-	-	-	-	-	376,703
A0080	Direct Payment	29-Oct-20	US\$	161,182	-	-	-	-	-	161,182
A0081	Direct Payment	12-Nov-20	US\$	-	64,949	-	-	-	-	64,949
A0082	Direct Payment	10-Nov-20	US\$	-	66,920	-	-	-	-	66,920
A0083	Direct Payment	12-Nov-20	US\$	466,562	-	-	-	-	-	466,562
A0084	Direct Payment	23-Nov-20	US\$	466,562	-	-	-	-	-	466,562
A0085	Direct Payment	8-Dec-20	US\$	558,622	-	-	-	-	-	558,622
CAP	Direct Payment	1-May-20	US\$	-	-	-	-	71,551	-	71,551
CAP	Direct Payment	1-Nov-20	US\$	-	-	-	-	114,571	-	114,571
Year ended 31 December 2020 (a)			US\$	11,833,697	497,406	-	120,155	186,122	-	12,637,380
Cumulative period from 8 April 2013 to 31 December 2020			US\$	21,331,300	3,743,521	367,282	352,433	364,385	238,605	26,397,526
ADB SCF Loan No. 8265 – CAM (SCF)										
B0055	Direct payment	21-Feb-20	US\$	162,381	-	-	-	-	-	162,381
B0059	Direct payment	20-Mar-20	US\$	54,433	-	-	-	-	-	54,433
B0061	Direct payment	20-Mar-20	US\$	71,672	-	-	-	-	-	71,672
B0062	Direct payment	6-Apr-20	US\$	139,300	-	-	-	-	-	139,300
B0063	Direct payment	6-Apr-20	US\$	227,859	-	-	-	-	-	227,859

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Notes to the financial statements (continued) for the year ended 31 December 2020

12. Statement of withdrawals (continued)

Withdrawal Application			Category							
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB SCF Loan No. 8265 – CAM (SCF) (continued)										
B0065	Direct payment	8-Apr-20	US\$	71,672	-	-	-	-	-	71,672
B0068	Direct Payment	21-Apr-20	US\$	62,447	-	-	-	-	-	62,447
B0070	Direct Payment	26-May-20	US\$	44,571	-	-	-	-	-	44,571
B0071	Direct Payment	27-May-20	US\$	205,946	-	-	-	-	-	205,946
B0073	Direct Payment	30-Jun-20	US\$	35,936	-	-	-	-	-	35,936
B0075	Direct Payment	16-Jul-20	US\$	186,869	-	-	-	-	-	186,869
B0077	Direct Payment	10-Sep-20	US\$	38,580	-	-	-	-	-	38,580
B0079	Direct Payment	7-Oct-20	US\$	81,180	-	-	-	-	-	81,180
B0080	Direct Payment	29-Oct-20	US\$	39,520	-	-	-	-	-	39,520
B0085	Direct Payment	8-Dec-20	US\$	87,516	-	-	-	-	-	87,516
B0056	Direct Payment	26-Feb-20	US\$	-	23,985	-	-	-	-	23,985
B0057	Replenishment	16-Mar-20	US\$	-	28,325	-	-	-	-	28,325
B0060	Direct Payment	25-Mar-20	US\$	-	25,825	-	-	-	-	25,825
B0064	Direct Payment	6-Apr-20	US\$	-	18,651	-	-	-	-	18,651
B0074	Direct Payment	1-Jul-20	US\$	-	23,426	-	-	-	-	23,426
B0081	Direct Payment	12-Nov-20	US\$	-	12,899	-	-	-	-	12,899
B0082	Direct Payment	10-Nov-20	US\$	-	25,384	-	-	-	-	25,384
CAP	Direct Payment	10-Nov-20	US\$	-	-	-	-	1,612	-	1,612
CAP	Direct Payment	1-May-20		-	-	-	-	1,049	-	1,049
Year ended 31 December 2020 (b)			US\$	1,509,882	158,495	-	-	2,661	-	1,671,038

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Notes to the financial statements (continued)
for the year ended 31 December 2020

12. Statement of withdrawals (continued)

Withdrawal Application			Category							
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB SCF Loan No. 8265 – CAM (SCF) (continued)										
Cumulative period from 8 April 2013 to 31 December 2020			US\$	2,757,318	823,297	-	1,290	5,246	34,150	3,621,301
ADB SCF Grant No. 0335 – CAM (SCF)										
D0055	Direct Payment	21-Feb-20	US\$	236,673	-	-	-	-	-	236,673
D0056	Direct Payment	24-Feb-20	US\$	-	21,804	-	-	-	-	21,804
D0057	Replenishment	18-Mar-20	US\$	-	27,153	-	-	-	-	27,153
D0059	Direct Payment	20-Mar-20	US\$	79,337	-	-	-	-	-	79,337
D0060	Direct Payment	25-Mar-20	US\$	-	26,007	-	-	-	-	26,007
D0061	Direct Payment	20-Mar-20	US\$	104,463	-	-	-	-	-	104,463
D0062	Direct Payment	6-Apr-20	US\$	53,454	-	-	-	-	-	53,454
D0063	Direct Payment	6-Apr-20	US\$	87,437	-	-	-	-	-	87,437
D0064	Direct Payment	6-Apr-20	US\$	-	18,782	-	-	-	-	18,782
D0065	Direct Payment	8-Apr-20	US\$	104,463	-	-	-	-	-	104,463
D0068	Direct Payment	23-Apr-20	US\$	91,017	-	-	-	-	-	91,017
D0070	Direct Payment	26-May-20	US\$	64,964	-	-	-	-	-	64,964
D0071	Direct Payment	27-May-20	US\$	79,029	-	-	-	-	-	79,029
D0073	Direct Payment	30-Jun-20	US\$	52,378	-	-	-	-	-	52,378
D0074	Direct Payment	1-Jul-20	US\$	-	21,296	-	-	-	-	21,296
D0075	Direct Payment	16-Jul-20	US\$	71,708	-	-	-	-	-	71,708
D0077	Direct Payment	10-Sep-20	US\$	56,231	-	-	-	-	-	56,231
D0079	Direct Payment	7-Oct-20	US\$	31,151	-	-	-	-	-	31,151
D0080	Direct Payment	29-Oct-20	US\$	57,602	-	-	-	-	-	57,602

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Notes to the financial statements (continued)
for the year ended 31 December 2020

12. Statement of withdrawals (continued)

Withdrawal Application			Category							
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB SCF Grant No. 0335 – CAM (SCF) (continued)										
D0081	Direct Payment	12-Nov-20	US\$	-	12,990	-	-	-	-	12,990
D0082	Direct Payment	10-Nov-20	US\$	-	23,077	-	-	-	-	23,077
D0085	Direct Payment	8-Dec-20	US\$	33,583	-	-	-	-	-	33,583
Year ended 31 December 2020 (d)			US\$	1,203,490	151,109	-	-	-	-	1,354,599
Cumulative period from 8 April 2013 to 31 December 2020			US\$	3,021,647	791,885	-	1,388	-	32,245	3,847,165
UEIF Grant No. 0334 – CAM (UEIF)										
Year ended 31 December 2020 (d)			US\$	-	-	-	-	-	-	-
Cumulative period from 8 April 2013 to 31 December 2020			US\$	1,500,000	-	-	-	-	-	1,500,000
Government Counterpart Fund										
R0010	Replenishment	1-Apr-20	US\$	-	-	-	27,220	-	-	27,220
R0011	Replenishment	4-Dec-20	US\$	-	-	-	29,673	-	-	29,673
Year ended 31 December 2020 (e)			US\$	-	-	-	56,893	-	-	56,893
Cumulative period from 8 April 2013 to 31 December 2020			US\$	-	-	-	344,391	-	50,000	394,391
Grand total (a+b+c+d+e)			US\$	14,547,069	807,010	-	177,048	188,783	-	15,719,910
Cumulative period from 8 April 2013 to 31 December 2020			US\$	28,610,265	5,358,703	367,282	699,502	369,631	355,000	35,760,383



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

31 May 2021



Mr. Mao Dor
Financial Management Specialist

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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Notes to the financial statements (continued) for the year ended 31 December 2020

13. Items not recognised in the statement of receipts and payments

13.1. Receipts from selling bid to documents

During the year/period, the Project sold bidding documents on behalf of the National Treasury Departments (NTD) as follow:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
Receipt	2,000	-	2,000
Transferred to NTD	2,000	-	2,000
	<hr/>	<hr/>	<hr/>
Change in cash	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The receipts from bid sales were transferred to the NTD on 27 November 2020.

13.2. In-kind contribution

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

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$	Cumulative period from 8 April 2013 to 31 December 2020 US\$
Office space expense	32,544	32,544	195,264
Utilities	17,201	17,201	103,205
Salaries of project staff	87,132	87,132	443,568
Taxes and Duties			
Withholding Taxes	104,329	140,287	763,682
Value Added Tax	1,453,414	776,954	2,925,138
	<hr/>	<hr/>	<hr/>
	1,694,620	1,054,118	4,430,857
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Notes to the financial statements (continued) for the year ended 31 December 2020

13. Items not recognised in the statement of receipts and payments (continued)

13.3. Payment commitments

As at 31 December 2020, the Project had the following payment commitments:

	As at 31 December 2020 US\$	As at 31 December 2019 US\$
Contracted, but not yet paid:		
Civil works	7,396,539	7,662,810
Consulting services	<u>419,013</u>	<u>1,173,120</u>
	<u>7,815,552</u>	<u>8,835,930</u>

14. Explanation of transition to CPSAS

As stated in Note 2, these are the Project's first set of financial statements prepared in accordance with CPSAS.

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 31 December 2020 and the comparative information presented in these financial statements for the year ended 31 December 2019.

In preparing its opening CPSAS statement of receipts and payments and statement of advance account, the Project has adjusted amounts reported previously in financial statements prepared in accordance with modified cash receipts and disbursement basis ("Previous GAAP") relating to the preparation of the financial statements.

Reconciliation of cash

The following reconciliation summarise the impacts on initial application of CPSAS on the Project's financial position as at 1 January 2019 and 31 December 2019 and the Project's statement of receipts and payments and statement of advance account for the year ended 31 December 2019.

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Notes to the financial statements (continued) for the year ended 31 December 2020

14. Explanation of transition to CPSAS (continued)

Reconciliation of cash (continued)

1 January 2019

	Note	Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Current assets				
Cash on hand		52	-	52
Cash at banks		211,237	-	211,237
Advances	A	<u>2,235,019</u>	<u>(2,235,019)</u>	<u>-</u>
		<u>2,446,308</u>	<u>(2,235,019)</u>	<u>211,289</u>

31 December 2019

	Note	Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Current assets				
Cash on hand		217	-	217
Cash at banks		101,101	-	101,101
Advances	A	<u>1,591,241</u>	<u>(1,591,241)</u>	<u>-</u>
		<u>1,692,559</u>	<u>(1,591,241)</u>	<u>101,318</u>

Reconciliation of statement of receipts and payments for the period from 1 January 2019 to 31 December 2019

		Period from 1 January 2019 to 31 December 2019		
		Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Receipts				
Asian Development Bank		8,899,469	-	8,899,469
Royal Government of Cambodia	B	<u>61,519</u>	<u>-</u>	<u>61,519</u>
		<u>8,960,988</u>	<u>-</u>	<u>8,960,988</u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

14. Explanation of transition to CPSAS (continued)

Reconciliation of statement of receipts and payments for the period from 1 January 2019 to 31 December 2019 (continued)

	Note	Period from 1 January 2019 to 31 December 2019		
		Previous GAAP US\$	Previous GAAP US\$	Previous GAAP US\$
Payments by category and financier				
Civil works	A	8,406,468	(643,778)	7,762,690
Goods and equipment		1,003,732	-	1,003,732
Consulting services		-	-	-
Incremental administrative cost		123,689	-	123,689
Interest charge		180,848	-	180,848
		<u>9,714,737</u>	<u>(643,778)</u>	<u>9,070,959</u>
Change in cash		<u>(753,749)</u>	<u>643,778</u>	<u>(109,971)</u>

Reconciliation of opening fund balance as at 1 January 2019

	1 January 2019		
	Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Opening fund balance	<u>2,446,308</u>	<u>(2,235,019)</u>	<u>211,289</u>

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Notes to the financial statements (continued) for the year ended 31 December 2020

14. Explanation of transition to CPSAS (continued)

Reconciliation of statement of advance account for the year ended 31 December 2019

	Year ended 31 December 2019		
	Previous GAAP US\$	Effect of transition to CPSAS US\$	CPSAS US\$
Receipts			
Asian Development Bank	-	-	-
Payments by category and financier			
Civil works	-	38,781	38,781
Consulting services	-	-	-
Incremental administrative cost	66,745	-	66,745
	<u>66,745</u>	<u>38,781</u>	<u>105,526</u>
Decrease in cash	<u>(66,745)</u>	<u>(38,781)</u>	<u>(105,526)</u>
Cash at the beginning of the year	<u>179,514</u>	<u>-</u>	<u>179,514</u>
Cash at the end of the year	<u><u>112,769</u></u>	<u><u>-</u></u>	<u><u>73,988</u></u>

A. Restatement of advances

Under previous GAAP, the expenditure is recognised when payments are made rather than when it is incurred, except for the advanced payments made to suppliers/staff that are initially recognised as a receivable and only recognised as expenditure when they have been liquidated by supporting invoices.

On adoption of CPSAS, the payments increased by US\$1,591,241 and advances decreased by US\$1,591,241.

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Notes to the financial statements (continued) for the year ended 31 December 2020

14. Explanation of transition to CPSAS (continued)

A. Restatement of advances (continued)

	Year ended 31 December 2019 US\$	Cumulative Period from 8 April 2013 to 31 December 2019 US\$
Statement of receipts and payments		
(Decrease)/Increases in civil works	<u>(643,778)</u>	<u>1,591,241</u>
	As at 31 December 2019 US\$	As at 1 January 2019 US\$
Represented by:		
Decrease in advance	<u>(1,591,241)</u>	<u>(2,235,019)</u>

B. Restatement of receipts and payments

Under previous GAAP, the pass-through payments from the RGC are recognised as gross in receipts and related payments. On adoption of CPSAS, the pass-through payments from the RGC are recognised as net in the statement of receipts and payments.

During the year ended 31 December 2019, there was no pass-through that has been recognised.

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GMS Southern Economic Corridor Towns Development Project

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Appendix I: Statement of budget versus actual expenditure for the year ended 31 December 2020

No.	Description	Year ended 31 December 2020				Year ended 31 December 2019				Cumulative period from 8 April 2013 to 31 December 2020			
		Budget US\$	Actual US\$	Variance US\$	% of variance	Budget US\$	Actual US\$	Variance US\$	% of variance	Budget US\$	Actual US\$	Variance US\$	% of variance
1	Civil works	15,113,916	14,534,142	579,774	4%	8,731,130	7,762,690	968,440	11%	64,489,497	28,636,117	35,853,380	56%
2	Consulting services	769,230	734,932	34,298	4%	1,034,524	1,003,732	30,792	3%	8,727,321	5,367,722	3,359,599	38%
3	Equipment	-	-	-	0%	-	-	-	0%	177,000	367,282	(190,282)	-108%
4	Training	-	-	-	0%	-	-	-	0%	111,000	-	111,000	100%
5	Incremental administration	114,626	101,304	13,322	12%	132,938	123,689	9,249	7%	1,042,260	757,564	284,696	27%
6	Service charge	-	-	-	-	-	-	-	-	6,000	-	6,000	100%
7	Unallocated	-	-	-	0%	-	-	-	0%	2,802,000	-	2,802,000	100%
8	Interest during construction	188,783	188,783	-	0%	180,848	180,848	-	0%	656,625	369,631	286,994	44%
9	Land acquisition and settlement*	-	-	-	0%	-	-	-	0%	1,560,000	-	1,560,000	100%
10	Physical contingency*	-	-	-	0%	-	-	-	0%	431,000	-	431,000	100%
	Total	16,186,555	15,559,161	627,394	4%	10,079,440	9,070,959	1,008,481	10%	80,002,703	35,498,316	44,504,387	56%

* Expenditure funded by RGC's contribution.



H.E. Vong Pisith
Project Director



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

31 May 2021

PART II

Independent Assurance Report on Compliance with the Financing Agreements for the year ended 31 December 2020



Ministry of Public Works and Transport

Management assertion

I, on behalf of the Project's management of the Loan Agreement No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF), ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) and the Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) ("Financing Agreements"), do hereby state that the Project is, in all material respects, in compliance with the Financing Agreements as stated in the Statement of Compliance for the year ended 31 December 2020, in particular:

- (i) The Executing Agency ("EA") 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 Agreement;
- (ii) The EA have complied, in all material respects, with the financial covenant set out in 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/Grant Disbursement Handbook for the year ended 31 December 2020. 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
Deputy Director General
Ministry of Public Works and Transport

Phnom Penh, Kingdom of Cambodia

31 May 2021



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INDEPENDENT REASONABLE ASSURANCE REPORT To the Ministry of Economy and Finance on the Compliance with Financing Agreements

We refer to the Loan Agreement No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF) (“the Financing Agreements”), which sets out the requirements for GMS Southern Economic Corridor Towns Development Project (“Project”) to comply with the Loan and Grant covenants.

Pursuant to the terms and conditions set out in the Financing Agreements, the management of the Project has determined key relevant provisions in which the management believes are important to report and 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 compliance with the Financing Agreements for the year ended 31 December 2020 as stated in the Statement of Compliance set out on pages 45 to 49, in the form of an independent reasonable assurance conclusion about whether the Project is, in all material respects, 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 and conditions 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 covenant of Financing Agreements.
- (iii) The Project has complied, in all material respects, with the Advance Account Procedure set out in the ADB’s Loan/Grant Disbursement Handbook for the year ended 31 December 2020.
- (iv) The Project has complied, in all material respects, with the Statement of Expenditure (“SOE”) Procedure set out in the ADB’s Loan/Grant Disbursement Handbook for the year ended 31 December 2020.



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 Agreements and for the information contained therein on pages 45 to 49.

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 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 issued by the International Ethics Standards Board for 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 is, in all material respects, in compliance with the requirements of the Financing Agreements for the year ended 31 December 2020, in particular the following assertions by management of the Project as stated in the Statement of Compliance, are properly represented:

- (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 covenant of Financing Agreements.
- (iii) The Project has complied, in all material respects, with the Advance Account Procedure set out in the 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 the ADB's Loan/Grant Disbursement Handbook.

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.



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




Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

31 May 2021

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),
ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of Compliance with the Financing Agreements (continued) for the year ended 31 December 2020

1. Criteria

This Statement of Compliance is prepared in accordance with the criteria determined by the ADB in accordance with the Financing Agreement No. ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF), ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF) (“the Financing Agreements”), which sets out the requirements for the GMS Southern Economic Corridor Towns Development 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 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/Grant		
3.01	The Borrower shall cause the proceeds of the Loan and Grant and 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 attachment to Schedule 3 (for Loan) and Schedule 1 (for Grant) (See Appendix) to this Agreements, as such Schedule may be amended from time to time by agreement 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 Agreements.	Yes, complied with.

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ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),
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Statement of Compliance with the Financing Agreements (continued) for the year ended 31 December 2020

Criteria (continued)

Section	Description	Management's assertions
Article IV: Particular Covenants		
4.02/ 4.03 (Grant No. 0334)	<p>(a) The Borrower 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 generally accepted accounting principles.</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 International Standards for auditing or the national equivalent acceptable to ADB;</p> <p>(iv) as part of each such audit, have the auditor prepare a report which includes the auditor's opinions on</p> <p>(a) the use of loan procedures of imprest/advance fund and statement of expenditure and</p> <p>(b) a management letter (which set out the deficiencies in the internal control of the project that were identified in the course of the audit, if any); and</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>(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.</p>	<p>(a):</p> <p>(i) Yes, complied with</p> <p>(ii) The Project prepared financial statements in accordance with Cambodian Public Sector Accounting Standards ("CPSAS").</p> <p>(iii) Financial statements are audited by KPMG Cambodia.</p> <p>(iv) Refer to Report of Independent Auditor and the Independent Reasonable Assurance Report.</p> <p>(v) Yes, complied with.</p> <p>(b) Yes, complied with.</p>
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.

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Statement of Compliance with the Financing Agreements (continued) for the year ended 31 December 2020

1. Criteria (continued)

ADB Loan 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 Disbursement Handbook and the project documents.	Yes, complied with.
The Borrower shall use the Imprest/Advance Account procedure set out in ADB's Loan Disbursement Handbook.	Yes, complied with.
<p>Condition for Approval to Use the Advance Fund Procedure:</p> <p>For approval to use the advance fund procedure, the following conditions should be considered and met:</p> <ul style="list-style-type: none"> • 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.
<p>Establishing the Advance Account</p> <p>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</p> <p>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.</p>	Yes, complied with.

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Statement of Compliance with the Financing Agreements (continued) for the year ended 31 December 2020

2. Appendix to the statement of compliance with the Financing Agreements

Section	Description
Schedule 1: Allocation and withdrawal of Grant Proceeds	
2	Except as ADB may otherwise agree, the proceeds of the Grant shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.
3	<p>Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table:</p> <p>(a) If the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may in consultation with the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and</p> <p>If the amount of the Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by in consultation with the Recipient, reallocate such excess amount to any other Category.</p>
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 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	<p>Goods and Works shall only be procured on the basis of the methods of procurement set forth below:</p> <p>(a) International Competitive Bidding; and</p> <p>(b) National Competitive Bidding.</p>

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Statement of Compliance with the Financing Agreements (continued) for the year ended 31 December 2020

2. Appendix to the statement of compliance with the Financing Agreements (continued)

Section	Description
Schedule 4: Procurement of Goods, Works and Consulting Services (continued)	
7	<p>The Borrower shall not award any Works contract which involves environmental impacts until MPWT has:</p> <p>(a) Obtained the final approval of the IEE from the appropriate authority of the Borrower; and</p> <p>Incorporated the relevant provisions from the EMP into the Works contract.</p>
8	<p>The Borrower shall not award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RP based on the detailed design and obtained ADB's clearance of such RP.</p>
9	<p>The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.</p>
10	<p>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.</p>
11	<p>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.</p>
12 (a)	<p>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.</p>
12 (b)	<p>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.</p>
13	<p>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.</p>