

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 2019

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 2019
and
Report of the Independent Auditors**



Ministry of Public Works and Transport

Statement by the Management

I, do hereby, state that in our opinion, the accompanying financial statements, which comprise the statement of financial position as at 31 December 2019, the statement of receipts and expenditure and the statement of advance accounts for the year then ended and notes, as set out on pages 5 to 33 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") 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.

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

11 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 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 financial position as at 31 December 2019, the statement of receipts and expenditure and the statement of advance accounts for the year then ended and notes, comprising significant accounting policies and other explanatory information (“financial statements”), as set out on pages 5 to 33.

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 and Distribution

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 Project, the Ministry of Economy and Finance, and the Asian Development Bank. As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the Management of the Project, the Ministry of Economy and Finance and the Asian Development Bank and should not be used by other parties. 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 scepticism 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



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

11 June 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)

Statement of financial position as at 31 December 2019

	Note	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Current assets			
Cash on hand – ADB		217	52
Cash at banks	3	101,101	211,237
Advances	4	1,591,241	2,235,019
		<u>1,692,559</u>	<u>2,446,308</u>
Represented by:			
Fund balance at end of the year		<u>1,692,559</u>	<u>2,446,308</u>



H.E. Vong Pisith
Project Director



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

11 June 2020

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 receipts and expenditure for the year ended 31 December 2019

	Note	Year ended 31 December 2019					RGC US\$	Total US\$	Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$					
Receipts										
Asian Development Bank	5 (a)	6,495,190	-	-	-	-	6,495,190	4,296,535	13,760,146	
ADB Strategic Climate Fund	5 (b)	-	953,608	1,300,671	-	-	2,254,279	1,291,566	4,442,829	
Urban Environment Infrastructure Fund	5 (c)	-	-	-	150,000	-	150,000	1,096,917	1,500,000	
Government Counterpart Fund	5 (d)	-	-	-	-	61,519	61,519	55,155	337,498	
		<u>6,495,190</u>	<u>953,608</u>	<u>1,300,671</u>	<u>150,000</u>	<u>61,519</u>	<u>8,960,988</u>	<u>6,740,173</u>	<u>20,040,473</u>	
Expenditure by disbursement										
Category and finances	6									
Civil works	7	6,016,593	911,438	1,328,436	150,000	-	8,406,467	4,007,106	12,510,734	
Consulting services	8	659,223	171,291	164,198	-	9,020	1,003,732	685,243	4,632,790	
Non-expendable equipment		-	-	-	-	-	-	-	367,282	
Incremental administration	9	66,765	(10)	(10)	-	56,944	123,689	120,341	656,260	
Interest and Service charge		178,264	2,584	-	-	-	180,848	-	180,848	
		<u>6,920,845</u>	<u>1,085,303</u>	<u>1,492,624</u>	<u>150,000</u>	<u>65,964</u>	<u>9,714,736</u>	<u>4,812,690</u>	<u>18,347,914</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 expenditure (continued) for the year ended 31 December 2019

Note	Year ended 31 December 2019						Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$	Total US\$		
(Deficit)/excess of receipts over expenditure	(425,655)	(131,695)	(191,953)	-	(4,445)	(753,749)	1,927,483	1,692,560
Fund balance at beginning of the year	1,952,849	189,247	272,437	-	31,775	2,446,308	518,825	-
Fund balance at end of the year	<u>1,527,194</u>	<u>57,552</u>	<u>80,484</u>	<u>-</u>	<u>27,330</u>	<u>1,692,559</u>	<u>2,446,308</u>	<u>1,692,560</u>



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

11 June 2020



Mr. Mao Dor
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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 accounts for the year ended 31 December 2019

	Note	Year ended 31 December 2019				Total US\$	Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$			
Receipts								
Asian Development Bank	5 (a)	-	-	-	-	-	154,002	659,136
ADB Strategic Climate Fund	5 (b)	-	-	-	-	-	-	96,124
		-	-	-	-	-	154,002	755,260
Expenditure by disbursement								
Category and finances								
Consulting services	8	-	-	-	-	-	116,537	259,402
Non-expendable equipment		-	-	-	-	-	-	27,977
Incremental administration	9	66,765	(10)	(10)	-	66,745	64,441	355,112
		66,765	(10)	(10)	-	66,745	180,978	642,491
(Deficit)excess of receipts over expenditure		(66,765)	10	10	-	(66,745)	(26,976)	112,769
Fund balance at beginning of the year		168,617	5,815	5,082	-	179,514	206,490	-
Fund balance at end of the year		101,852	5,825	5,092	-	112,769	179,514	112,769

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 accounts (continued) for the year ended 31 December 2019

	Note	Year ended 31 December 2019				Total US\$	Year ended 31 December 2018 US\$
		Loan	Loan	Grant	Grant		
		No. 2983 US\$	No. 8265 US\$	No. 0335 US\$	No 0334 US\$		
Represented by:							
Cash on hand – ADB		217	-	-	-	217	52
Cash at banks	3	62,854	5,825	5,092	-	73,771	179,462
Advances	4	38,781	-	-	-	38,781	-
		<u>101,852</u>	<u>5,825</u>	<u>5,092</u>	<u>-</u>	<u>112,769</u>	<u>179,514</u>



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

11 June 2020



Mr. Mao Dor
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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)

Notes to the financial statements for the year ended 31 December 2019

1. Background and activities

The financing agreement (“the Agreement”) 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 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. 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. Whereas, closing date of Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) remains unchanged.

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.

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.

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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 2019

1. Background and activities (continued)

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 basis of the withdrawal percentage for categories items of expenditure.

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.

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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 2019

1. Background and activities (continued)

The tables below set forth the original and revised and reallocated categories of items of expenditure 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	Increase/ Decrease	%	Revised allocation		Revised % basis for withdrawal from Loan Account
Original	Revised		Category	Sub- category				Category	Sub- category	
1	1	Work	18,451,000					18,451,000		
	1A	Civil work: Wastewater treatment and flood control				11,510,000	100.0%		11,510,000	62.4% *
	1B	Civil work: Road and solid waste treatment				6,941,000	100.0%		6,941,000	100.0% *
1A		Battambang wastewater treatment		6,247,000	74.9%	(6,247,000)	(100.0%)			
1D		Bavet urban roads		5,010,000	100.0%	(5,010,000)	(100.0%)			
1F		Poipet wastewater treatment		1,576,000	68.0%	(1,576,000)	(100.0%)			
1C		Bavet wastewater treatment		1,277,000	68.0%	(1,277,000)	(100.0%)			
1G		Poipet solid waste management		1,931,000	100.0%	(1,931,000)	(100.0%)			
1E		Neak Loeung flood control		1,581,000	68.0%	(1,581,000)	(100.0%)			
1B		Battambang flood control		829,000	68.0%	(829,000)	(100.0%)			
2	2	Consulting services	2,436,844					2,383,002		
2A	2A	Project implementation support and capacity development		986,364	71.5%	318,027	32.2%		1,304,391	71.5% *
2B	2B	Detailed engineering design		580,519	77.6%	(107,033)	(18.4%)		473,486	77.6% *
2C	2C	Consultant supervision		788,961	77.6%	(264,836)	(33.6%)		524,125	58.0% *
2D	2D	External monitoring		81,000	100.0%				81,000	100.0% *
3	3	Equipment	227,273		100.0%	71,551	31.0%	298,824		100.0% *
4	4	Training	97,403		100.0%			97,403		100.0%
5	5	Incremental administration	467,532					467,532		
5A	5A	Project management unit		233,766	81.3%				233,766	100.0%
5B	5B	Project implementation unit		233,766	81.1%				233,766	100.0%
6	6	Unallocated	1,760,948			(17,709)	(1.0%)	1,743,239		
7	7	Interest during construction	582,000		100.0% **			582,000		100% **
		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 2019

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	Increase/ Decrease	%	Revised allocation		Revised % basis for withdrawal from Loan Account
Original	Revised		Category	Sub-category				Category	Sub-category	
1	1	Work	3,780,000				0.0%	3,780,000		
	1A	Civil work: Wastewater treatment and flood control				3,780,000	100.0%		3,780,000	15.3% *
1A		Battambang wastewater treatment		1,745,000	13.6%	(1,745,000)	(100.0%)			
1E		Poipet Loeung wastewater treatment		609,000	17.0%	(609,000)	(100.0%)			
1C		Bavet wastewater treatment		494,000	17.0%	(494,000)	(100.0%)			
1D		Neak Loeung flood control		611,000	17.0%	(611,000)	(100.0%)			
1B		Battambang flood control		321,000	17.0%	(321,000)	(100.0%)			
2	2	Consulting services	623,000					739,028		
2A	2A	Project implementation support and capacity development		300,000	14.2%	68,163	22.7%		368,163	14.2% *
2B	2B	Detailed engineering design		139,000	12.1%	(38,570)	(27.7%)		100,430	12.1% *
2C	2C	Consultant supervision		184,000	11.7%	86,435	47.0%		270,435	22.0% *
3	3	Incremental administration	80,000					1,291		
	3A	Project management unit		40,000	9.0%	(38,709)	(97.0%)		1,291	
	3B	Project implementation unit		40,000	9.0%	(400,000)	(100.0%)			
4	4	Interest during construction	13,000		13.9%		0.0%	13,000		100%**
5	5	Unallocated	504,000		1.5%**	(37,319)	(7.4%)	466,681		
		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 2019

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	Increase/ Decrease	%	Revised allocation		Revised % basis for withdrawal from Grant Account
Original	Revised		Category	Sub-category				Category	Sub-category	
1	1	Work	3,270,000					3,270,000		
	1A	Civil work: Wastewater treatment and flood control				3,270,000	100.0%		3,270,000	22.3% *
1A		Battambang wastewater treatment		1,481,000	11.5%	(1,481,000)	(100.0%)			
1E		Poipet wastewater treatment		536,000	15.0%	(536,000)	(100.0%)			
1C		Bavet wastewater treatment		434,000	15.0%	(434,000)	(100.0%)			
1D		Neak Loeung flood control		537,000	15.0%	(537,000)	(100.0%)			
1B		Battambang flood control		282,000	15.0%	(282,000)	(100.0%)			
2	2	Consulting services	590,000					702,096		
2A	2A	Project implementation support and capacity development		304,000	14.3%	66,756	22.0%		370,756	14.3% *
2B	2B	Detailed engineering design		119,000	10.3%	(33,510)	(28.2%)		85,490	10.3% *
2C	2C	Consultant supervision		167,000	10.7%	78,580	47.2%		245,850	20.0% *
2D	2D	External monitoring								
3	3	Incremental administration	87,000					1,391		
3A		Project management unit		43,000	9.7%	(41,609)	(97.0%)		1,391	
3B		Project implementation unit		44,000	9.9%	(44,000)	(100.0%)			
4	4	Unallocated	453,000		12.5%	(26,488)		426,513		
		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

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 2019

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	Increase/ Decrease	%	Revised allocation		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				1,390,000	100%	1,500,000	100% *	
1A		Battambang material recovery facilities		430,000	100%	(430,000)	(100%)			
1B		Bavet material recovery facilities		382,000	100%	(382,000)	(100%)			
1C		Poipet material recovery facilities		442,000	100%	(442,000)	(100%)			
2		Consulting services	109,000							
2A		Battambang material recovery facilities		37,000	100%	(37,000)	(100%)			
2B		Bavet material recovery facilities		33,000	100%	(33,000)	(100%)			
2C		Poipet material recovery facilities		39,000	100%	(39,000)	(100%)			
3	3	Unallocated	137,000			(27,000)				
		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 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 receipts and disbursements basis of accounting. This is a basis of accounting that is designed to meet the requirements of the Project; it is not designed to produce financial statements that are compatible with International Financial Reporting Standards. Under this basis of accounting, income is recognised when funds are received in cash and expenditure is recognised when payments are made rather than when it is incurred, except for the followings:

- Amounts due from Government Counterpart is initially recognised as advances until they are settled; and
- Advanced payments made to suppliers are initially recognised as receivables and only recognised as payments when they have been liquidated by supporting invoices.

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

(b) Statement of the advance account

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

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and expenditure and the statement of advance account 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.

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2. Significant accounting policies (continued)

(e) Foreign currency transactions

The Project transacts its operations and maintains its accounting records primarily in US\$. Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates. Cash on hand and advances bank balances in currencies other than US\$ are translated into US\$ at the open market rates of exchange at the year/period end. All foreign exchange differences are recognised in the statement of receipts and expenditure and the statement of advance account.

(f) In-kind Contribution

All contribution in kind from RGC to the Project are made in accordance with guidance from the MEF and are not accounted for in the financial statements.

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

3. Cash at banks

	As at 31 December 2019					Total US\$	As at 31 December 2018 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$		
Advance account – ADB	62,854	5,825	5,092	-	-	73,771	179,462
Advance account – RGC	-	-	-	-	27,330	27,330	31,775
	<u>62,854</u>	<u>5,825</u>	<u>5,092</u>	<u>-</u>	<u>27,330</u>	<u>101,101</u>	<u>211,237</u>

4. Advances

	As at 31 December 2019					Total US\$	As at 31 December 2018 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$		
M.T.A Construction and Xinjiang Beixin Road and Bridge Group Co. Ltd (JV)	690,745	-	-	-	-	690,745	1,036,119
Beijing Urban Construction Group Co. Ltd,	210,961	51,726	75,392	-	-	338,079	1,198,900
Taing Cheng Qing Construction and Import-Export Co., Ltd	38,781	-	-	-	-	38,781	-
Heng Sambat Co., Ltd	523,636	-	-	-	-	523,636	-
	<u>1,464,123</u>	<u>51,726</u>	<u>75,392</u>	<u>-</u>	<u>-</u>	<u>1,591,241</u>	<u>2,235,019</u>

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

5. Receipts

(a) Asian Development Bank

	Year ended 31 December 2019						Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$	Total US\$		
Replenishments	-	-	-	-	-	-	154,002	420,531
Initial advances	-	-	-	-	-	-	-	238,605
Sub-total *	-	-	-	-	-	-	154,002	659,136
Direct payments**	6,495,190	-	-	-	-	6,495,190	4,142,533	13,101,010
	<u>6,495,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,495,190</u>	<u>4,296,535</u>	<u>13,760,146</u>

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

5. Receipts (continued)

(b) ADB Strategic Climate Fund

	Year ended 31 December 2019						Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$	Total US\$		
Replenishments	-	-	-	-	-	-	-	29,729
Initial advances	-	-	-	-	-	-	-	66,395
Sub-total *	-	-	-	-	-	-	-	96,124
Direct payments**	-	953,608	1,300,671	-	-	2,254,279	1,291,566	4,346,705
	-	953,608	1,300,671	-	-	2,254,279	1,291,566	4,442,829

(c) Urban Environment Infrastructure Fund

	Year ended 31 December 2019						Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$	Total US\$		
Direct payments**	-	-	-	150,000	-	150,000	1,096,917	1,500,000

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

5. Receipts (continued)

(d) Government Counterpart Fund

	Year ended 31 December 2019						Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$	Total US\$		
Replenishments	-	-	-	-	61,519	61,519	55,155	287,498
Initial advances	-	-	-	-	-	-	-	50,000
Total *	-	-	-	-	61,519	61,519	55,155	337,498

* 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”).

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

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

6. Expenditure by disbursement category and finances

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>Civil work: Wastewater treatment plant and Flood control</i>	62.40	3,717,238	62.40	15.30	911,438	15.30	22.30	1,328,436	22.30		-		-	-	5,957,112
<i>Urban road and solid waste</i>	100.00	2,299,355	100	-	-	-	-	-	-		-		-	-	2,299,355
<i>Material recovery facilities</i>	-	-	-	-	-	-	-	-	-	100.00	150,000	100.00	-	-	150,000
Consulting services															
<i>Project implementation support and capacity development</i>	71.50	435,831	71.50	14.20	86,556	14.20	14.30	87,166	14.30	-	-	-	-	-	609,553
<i>Construction supervision</i>	58.00	223,392	58.00	22.00	84,735	22.00	20.00	77,032	20.00	-	-	-	-	-	385,159
<i>Audit</i>	-	-	-	-	-	-	-	-	-	-	-	-	9,020	100.00	9,020
Non-expendable equipment	100.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incremental administration															
<i>Project Management Unit</i>	100.00	49,234	65.26	-	(10)	-	-	(10)	-	-	-	-	26,224	34.76	75,438
<i>Project Implementation Unit</i>	100.00	17,531	36.33	-	-	-	-	-	-	-	-	-	30,720	67.74	48,251
<i>Interest</i>	-	178,264	98.57	-	2,584	1.43	-	-	-	-	-	-	-	-	180,848
Total payments – for the year ended 31 December 2019		6,920,845			1,085,303			1,492,624			150,000		65,964		9,714,736
% of total project costs – for the year ended 31 December 2019		18.70%			21.71%			33.92%			10.00%		0.14%		20.28%
% of cumulative expenses to total project costs – for the period from 8 April 2013 to 31 December 2019		33.06%			37.85%			54.82%			100.00%		0.65%		38.30%

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

7. Civil works

	Year ended 31 December 2019					Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$		
Battambang Waste Water							
Treatment	3,717,238	911,438	1,328,436	-	-	5,957,112	7,815,091
Bavet Urban Road	2,299,355			-	-	2,299,355	3,195,643
Material Recover facilities	-	-	-	150,000	-	150,000	1,500,000
	<u>6,016,593</u>	<u>911,438</u>	<u>1,328,436</u>	<u>150,000</u>	<u>-</u>	<u>8,406,467</u>	<u>12,510,734</u>

Payment for civil works were made directly to suppliers by ADB on behalf of the Project during the year.

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

8. Consulting services

	Year ended 31 December 2019					Total US\$	Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$			
Project implementation support and capacity development	435,831	86,556	87,166	-	-	609,553	383,540	3,126,336
Construction supervision	223,392	84,735	77,032	-	-	385,159	301,703	686,862
Detailed engineering design	-	-	-	-	-	-	-	810,572
Audit	-	-	-	-	9,020	9,020	-	9,020
	<u>659,223</u>	<u>171,291</u>	<u>164,198</u>	<u>-</u>	<u>9,020</u>	<u>1,003,732</u>	<u>685,243</u>	<u>4,632,790</u>
The expenditure can be allocated as follows:								
Direct payments	659,223	171,291	164,198	-	-	994,712	568,706	4,364,368
Replenishments	-	-	-	-	9,020	9,020	116,537	268,422
	<u>659,223</u>	<u>171,291</u>	<u>164,198</u>	<u>-</u>	<u>9,020</u>	<u>1,003,732</u>	<u>685,243</u>	<u>4,632,790</u>

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

9. Incremental administration

	Year ended 31 December 2019						Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No 0334 US\$	RGC US\$	Total US\$		
Project Management Unit	49,234	(10)	(10)	-	26,224	75,438	74,990	403,328
Project Implementation Unit	17,531	-	-	-	30,720	48,251	45,351	252,932
	<u>66,765</u>	<u>(10)</u>	<u>(10)</u>	<u>-</u>	<u>56,944</u>	<u>123,689</u>	<u>120,341</u>	<u>656,260</u>
The expenditure can be analysed as followed:								
Replenishments	<u>66,765</u>	<u>(10)</u>	<u>(10)</u>	<u>-</u>	<u>56,944</u>	<u>123,689</u>	<u>120,341</u>	<u>656,260</u>

All payment on incremental administration were made through imprest/advance account during the year.

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

10. Statement of disbursement

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

		Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative for the period from 8 April 2013 to 31 December 2019 US\$
ADB Fund claims during the year/period				
Direct payments		8,899,469	6,531,016	18,947,715
Reimbursements		-	154,002	450,260
Initial advance		-	-	305,000
Subtotal	(A)	<u>8,899,469</u>	<u>6,685,018</u>	<u>19,702,975</u>
Total expenditure made during the year/period				
Expenditure made out of Government Counterpart Fund	(B)	9,714,736	4,812,690	18,347,914
Advance made to the contractors during the year but not yet recorded as expenditure	(C)	(65,964)	(55,900)	(310,168)
Initial advance not yet liquidated	(D)	1,591,241	2,235,019	1,591,241
Advance made last year and recognised as expenditure during the year	(E)	-	-	305,000
Expense incurred during the year but not yet replenished	(F)	(2,235,019)	(279,814)	-
Advance to contractors but not yet replenished	(G)	(66,744)	(180,979)	(231,012)
Expense incurred prior year claimed during the year	(H)	(38,781)	-	-
	(I)	-	154,002	-
Total eligible expenditure claimed (A = J = B + C + D + E + F + G + H + I)	(J)	<u>8,899,469</u>	<u>6,685,018</u>	<u>19,702,975</u>

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

11. Commitments

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

	As at 31 December 2019 US\$	As at 31 December 2018 US\$
Contracted, but not yet paid:		
Civil works	12,562,359	12,204,613
Consulting services	1,173,120	1,514,357
	<u>13,735,479</u>	<u>13,718,970</u>

12. In-kind contributions

The following are identified and estimated by the Project as in-kind contribution from the RGC which was not accounted for in the financial statements as follows:

	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$	Cumulative period from 8 April 2013 to 31 December 2019 US\$
Office space expense	32,544	32,544	162,720
Utilities	17,201	17,201	86,004
Salaries of project staff	87,132	78,384	356,436
Taxes and Duties			
Withholding Taxes	140,287	519,066	659,353
Value Added Tax	776,954	694,770	1,471,724
	<u>1,054,118</u>	<u>1,341,965</u>	<u>2,736,237</u>

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Notes to the financial statements (continued)
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13. Statement of withdrawals

Withdrawal Application		Category							
No	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB Loan No. 2983 – CAM (COL)									
A0036	04-Jan-19	US\$	-	63,394	-	-	-	-	63,394
A0037	07-Jan-19	US\$	-	111,508	-	-	-	-	111,508
A0038	31-Jan-19	US\$	434,536	-	-	-	-	-	434,536
A0039	12-Mar-19	US\$	382,969	-	-	-	-	-	382,969
A0040	24-Apr-19	US\$	241,772	-	-	-	-	-	241,772
A0041	09-Apr-19	US\$	-	96,249	-	-	-	-	96,249
A0042	22-Apr-19	US\$	743,932	-	-	-	-	-	743,932
A0043	29-Apr-19	US\$	913,828	-	-	-	-	-	913,828
A0044	20-Jun-19	US\$	-	69,634	-	-	-	-	69,634
A0045	29-Jul-19	US\$	566,811	-	-	-	-	-	566,811
A0046	21-Aug-19	US\$	-	106,589	-	-	-	-	106,589
A0047	22-Sep-19	US\$	176,476	-	-	-	-	-	176,476
A0048	16-Oct-19	US\$	1,040,154	-	-	-	-	-	1,040,154
A0049	26-Nov-19	US\$	-	90,364	-	-	-	-	90,364
A0050	26-Nov-19	US\$	-	121,485	-	-	-	-	121,485
A0051	04-Dec-19	US\$	387,109	-	-	-	-	-	387,109
A0052	05-Dec-19	US\$	246,482	-	-	-	-	-	246,482
A0053	16-Dec-19	US\$	523,635	-	-	-	-	-	523,635
9140	01-Nov-14	US\$	-	-	-	-	161	-	161
9150	01-Nov-15	US\$	-	-	-	-	3,883	-	3,883

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

13. Statement of withdrawals (continued)

Withdrawal Application		Category							
No	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB Loan No. 2983 – CAM (COL) (continued)									
915A	01-May-15	US\$	-	-	-	-	2,507	-	2,507
9160	01-Nov-16	US\$	-	-	-	-	8,587	-	8,587
916A	01-May-16	US\$	-	-	-	-	6,298	-	6,298
9170	01-Nov-17	US\$	-	-	-	-	13,490	-	13,490
917A	01-May-17	US\$	-	-	-	-	9,603	-	9,603
9180	01-Nov-18	US\$	-	-	-	-	25,875	-	25,875
918A	01-May-18	US\$	-	-	-	-	15,364	-	15,364
9190	01-Nov-19	US\$	-	-	-	-	53,629	-	53,629
919A	01-May-19	US\$	-	-	-	-	38,866	-	38,866
Year ended 31 December 2019 (a)		US\$	5,657,704	659,223	-	-	178,263	-	6,495,190
Cumulative period from 8 April 2013 to 31 December 2019		US\$	9,497,604	3,246,114	367,282	232,278	178,263	238,605	13,760,146
ADB SCF Loan No. 8265 – CAM (SCF)									
B0036	04-Jan-19	US\$	-	24,046	-	-	-	-	24,046
B0037	04-Jan-19	US\$	-	22,146	-	-	-	-	22,146
B0038	31-Jan-19	US\$	106,545	-	-	-	-	-	106,545
B0039	12-Mar-19	US\$	93,901	-	-	-	-	-	93,901
B0040	24-Apr-19	US\$	59,281	-	-	-	-	-	59,281
B0041	09-Apr-19	US\$	-	19,115	-	-	-	-	19,115
B0042	22-Apr-19	US\$	182,406	-	-	-	-	-	182,406
B0044	20-Jun-19	US\$	-	26,413	-	-	-	-	26,413
B0045	29-Jul-19	US\$	138,978	-	-	-	-	-	138,978

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

13. Statement of withdrawals (continued)

Withdrawal Application		Category							
No	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB SCF Loan No. 8265 – CAM (SCF) (continued)									
B0046	21-Aug-19	US\$	-	21,169	-	-	-	-	21,169
B0047	22-Sep-19	US\$	43,271	-	-	-	-	-	43,271
B0049	26-Nov-19	US\$	-	34,276	-	-	-	-	34,276
B0050	26-Nov-19	US\$	-	24,126	-	-	-	-	24,126
B0051	04-Dec-19	US\$	94,916	-	-	-	-	-	94,916
B0052	05-Dec-19	US\$	60,434	-	-	-	-	-	60,434
9140	01-Nov-14	US\$	-	-	-	-	3	-	3
9150	01-Nov-15	US\$	-	-	-	-	60	-	60
915A	01-May-15	US\$	-	-	-	-	34	-	34
9160	01-Nov-16	US\$	-	-	-	-	117	-	117
916A	01-May-16	US\$	-	-	-	-	87	-	87
9170	01-Nov-17	US\$	-	-	-	-	184	-	184
917A	01-May-17	US\$	-	-	-	-	134	-	134
9180	01-Nov-18	US\$	-	-	-	-	354	-	354
918A	01-May-18	US\$	-	-	-	-	220	-	220
9190	01-Nov-19	US\$	-	-	-	-	813	-	813
919A	01-May-19	US\$	-	-	-	-	579	-	579
Year ended 31 December 2019 (b)		US\$	779,732	171,291	-	-	2,585	-	953,608
Cumulative period from 8 April 2013 to 31 December 2019		US\$	1,247,435	664,803	-	1,290	2,585	34,150	1,950,263

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 2019

13. Statement of withdrawals (continued)

Withdrawal Application		Category							
No	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB SCF Grant No. 0335 – CAM (SCF)									
D0036	04-Jan-19	US\$	-	21,860	-	-	-	-	21,860
D0037	04-Jan-19	US\$	-	22,302	-	-	-	-	22,302
D0038	31-Jan-19	US\$	155,291	-	-	-	-	-	155,291
D0039	12-Mar-19	US\$	136,862	-	-	-	-	-	136,862
D0040	24-Apr-19	US\$	86,402	-	-	-	-	-	86,402
D0041	09-Apr-19	US\$	-	19,250	-	-	-	-	19,250
D0042	22-Apr-19	US\$	265,860	-	-	-	-	-	265,860
D0044	20-Jun-19	US\$	-	24,012	-	-	-	-	24,012
D0045	29-Jul-19	US\$	202,562	-	-	-	-	-	202,562
D0046	21-Aug-19	US\$	-	21,318	-	-	-	-	21,318
D0047	22-Sep-19	US\$	63,068	-	-	-	-	-	63,068
D0049	26-Nov-19	US\$	-	31,160	-	-	-	-	31,160
D0050	26-Nov-19	US\$	-	24,297	-	-	-	-	24,297
D0051	04-Dec-19	US\$	138,342	-	-	-	-	-	138,342
D0052	05-Dec-19	US\$	88,085	-	-	-	-	-	88,085
Year ended 31 December 2019 (c)		US\$	1,136,472	164,199	-	-	-	-	1,300,671
Cumulative period from 8 April 2013 to 31 December 2019		US\$	1,818,157	640,776	-	1,388	-	32,245	2,492,566

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 2019

13. Statement of withdrawals (continued)

Withdrawal Application		Category							
No	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
UEIF Grant No. 0334 – CAM (UEIF)									
C0012	30-Apr-19	US\$	150,000	-	-	-	-	-	150,000
Year ended 31 December 2019 (d)		US\$	150,000	-	-	-	-	-	150,000
Cumulative period from 8 April 2013 to 31 December 2019		US\$	1,500,000	-	-	-	-	-	1,500,000
Government Counterpart Fund									
R0008	25-Jun-19	US\$	-	-	-	31,875	-	-	31,875
R0009	26-Nov-19	US\$	-	-	-	29,644	-	-	29,644
Year ended 31 December 2019 (e)		US\$	-	-	-	61,519	-	-	61,519
Cumulative period from 8 April 2013 to 31 December 2019		US\$	-	-	-	287,498	-	50,000	337,498
Grand total (a+b+c+d+e)		US\$	7,723,908	994,713	-	61,519	180,848	-	8,960,988
Cumulative period from 8 April 2013 to 31 December 2019		US\$	14,063,196	4,551,693	367,282	522,454	180,848	355,000	20,040,473



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

11 June 2020



Mr. Mao Dor
Financial Management Specialist

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 2019

14. Statement of budgeted versus actual expenditure

No.	Description	Year ended 31 December 2019				Year ended 31 December 2018			Cumulative period from 8 April 2013 to 31 December 2019		
		Budget US\$	Actual US\$	Variance US\$	% of variance	Budget US\$	Actual US\$	Variance US\$	Budget US\$	Actual US\$	Variance US\$
1	Civil works	8,731,130	8,406,467	324,663	4%	4,253,334	4,007,106	246,228	43,784,340	12,510,734	31,273,606
2	Consulting services	1,034,524	1,003,732	30,792	3%	766,675	685,243	81,432	7,958,091	4,632,790	3,325,301
3	Equipment	-	-	-	0%	-	-	-	177,000	367,282	(190,282)
4	Training	-	-	-	0%	-	-	-	111,000	-	111,000
5	Incremental administration	132,938	123,689	9,249	7%	137,084	120,341	16,743	927,635	656,260	271,375
6	Service charge	-	-	-	0%	-	-	-	6,000	-	6,000
7	Unallocated	-	-	-	0%	-	-	-	2,802,000	-	2,802,000
8	Interest during construction	180,848	180,848	-	0%	-	-	-	467,848	180,848	287,000
9	Land acquisition and settlement*	-	-	-	0%	-	-	-	1,560,000	-	1,560,000
10	Physical contingency*	-	-	-	0%	-	-	-	431,000	-	431,000
	Total	10,079,440	9,714,736	364,704	4%	5,157,093	4,812,690	344,403	58,224,914	18,347,914	39,877,000

* Expenditure funded by RGC's contribution.



H.E. Vong Pisith
Project Director

Phnom Penh, Kingdom of Cambodia

11 June 2020



Mr. Mao Dor
Financial Management Specialist

PART II

**Independent Assurance Report on Compliance
with the Loan and Grant Agreements
for the year ended 31 December 2019**



Ministry of Public Works and Transport

Management assertion

I, on behalf of the Project's management of the 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) (“the Agreements”) is, all material respects, prepared in compliance with the loan agreement in particular:

- (i) The Executing Agency 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 Loan Agreement;
- (ii) The Project has complied, in all material respects, with the covenants of the Loan Agreement;
- (iii) The Advance account procedures, have been operated, in all material respects, in accordance with ADB's Loan Disbursement Handbook;
- (iv) The Project has complied, in all material respects, with the statement of expenditure (“SOE”) procedure set out in ADB's Loan Disbursement Handbook. In addition, adequate supporting documentation has been maintained to authenticate claims stated on SOE procedure for reimbursement of eligible expenditures incurred and liquidation of advances provided to the advance account; and
- (v) The effective internal control, including the procurement process was maintained.

On behalf of the Project Management,

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

Phnom Penh, Kingdom of Cambodia

11 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 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 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 of the Agreements, the management of the Project has prepared a Statement of Compliance with the 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 Agreements as set out on pages 38 to 42 for the year ended 31 December 2019 in the form of an independent reasonable assurance conclusion about whether the Statement of Compliance is, in all material respects, prepared in compliance with the requirements set out in the Agreements.

Our report is intended to provide a conclusion on the following specific matters, established by the terms of the 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 Agreements.
- (ii) The Project has complied, in all material respects, with the covenants of the Agreements.
- (iii) The Project has complied, in all material respects, with the Imprest/Advance Account procedure set out in ADB’s Loan/Grant Disbursement Handbook for the year ended 31 December 2019.
- (iv) The Project has complied, in all material respects, with the statement of expenditure (“SOE”) procedure set out in ADB’s Loan/Grant Disbursement Handbook for the year ended 31 December 2019.



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 38 to 42.

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 Agreements; selecting and applying policies; making judgements and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Statement of Compliance. The management of the Project is also responsible for preventing and detecting fraud and for identifying and ensuring that the Project complies with laws and regulations applicable to its activities. The management is responsible for ensuring that staff involved with the preparation of the Statement of Compliance are properly trained, information systems are properly updated and that any changes in reporting encompass all significant reporting units.

Our Responsibilities

Our responsibility is to examine the Statement of Compliance prepared by the management and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with Cambodian International Standard on Assurance Engagements (CISAE) 3000, Assurance Engagement Other than Audits or Reviews of Historical Financial Information. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the Statement of Compliance is properly prepared in accordance with the relevant terms and conditions set out in the 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 Agreements, used by the Project's management in preparing and presenting the Statement of Compliance in the circumstances of the engagement, obtaining an understanding of the compilation of the financial and non-financial information in the Statement by enquiry of management, reference to the 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 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 agreements.
- (ii) The Project has complied, in all material respects, with the covenants of the Agreements.
- (iii) The Project has complied, in all material respects, with the Imprest/Advance Account procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2019.
- (iv) The Project has complied, in all material respects, with the statement of expenditure ("SOE") procedure set out in ADB's Loan/Grant Disbursement Handbook for the year ended 31 December 2019.

Restriction on Use of Our Report

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

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

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

11 June 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)

Statement of Compliance with the Loan and Grant Agreements for the year ended 31 December 2019

1. Criteria

This Statement of Compliance is prepared in accordance with the criteria determined by the ADB in accordance with the Loan Agreement No. 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 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.

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 Loan and Grant Agreements (continued) for the year ended 31 December 2019

1. 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 the annual financial statements in accordance with a modified cash basis of accounting.</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.

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 Loan and Grant Agreements (continued) for the year ended 31 December 2019

1. Criteria (continued)

Section	Description	Management's assertions
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.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of Compliance with the Loan and Grant Agreements (continued) for the year ended 31 December 2019

2. Appendix to the statement of compliance

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	Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table: (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 (b) 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.
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	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.

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ADB SCF Grant No. 0335 – CAM (SCF) and UEIF Grant No. 0334 – CAM (UEIF)

Statement of compliance with the Loan and Grant Agreements (continued) for the year ended 31 December 2019

2. Appendix to the statement of compliance (continued)

Section	Description
Schedule 4: Procurement of Goods, Works and Consulting Services	
7	The Borrower shall not award any Works contract which involves environmental impacts until MPWT has: (a) Obtained the final approval of the IEE from the appropriate authority of the Borrower; and (b) Incorporated the relevant provisions from the EMP into the Works contract.
8	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.
9	The Borrower shall apply Quality- and Cost-Based Selection for selecting and engaging Consulting Services.
10	The Borrower shall apply the methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan.
11	The Borrower shall recruit any individual consultants for such services as agreed with ADB in accordance with procedures acceptable to ADB for recruiting individual consultants.
12 (a)	The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.
12 (b)	The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters.
13	The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.