

N° CONVENTION AFD CKH 1188 02 W

FINANCING AGREEMENT

dated 16th November 2018

between

AGENCE FRANCAISE DE DEVELOPPEMENT

The Agency

and

THE KINGDOM OF CAMBODIA

The Beneficiary

TABLE OF CONTENTS

1.	DEFINITIONS AND INTERPRETATION.....	6
1.1	Definitions.....	6
1.2	Interpretation.....	6
2.	GRANT, PURPOSE AND CONDITIONS OF UTILISATION.....	6
2.1	Grant.....	6
2.2	Purpose.....	6
2.3	Monitoring.....	6
2.4	Conditions precedent.....	6
3.	DRAWDOWN OF FUNDS.....	7
3.1	Drawdown request.....	7
3.2	Payment mechanics.....	7
3.3	Deadline for Drawdown.....	9
4.	POSTPONEMENT OR DISMISSAL OF THE DRAWDOWN REQUESTS.....	9
5.	REPRESENTATIONS AND WARRANTIES.....	11
5.1	Power and authority.....	11
5.2	Binding Obligations.....	11
5.3	No conflict with other obligations of the Beneficiary.....	11
5.4	Validity and admissibility in evidence.....	11
5.5	Project Authorizations.....	11
5.6	Procurement.....	11
5.7	Origin of funds, Acts of Corruption, Fraud and Anti-Competitive Practices.....	12
6.	UNDERTAKINGS.....	12
6.1	Authorizations.....	12
6.2	Project Documents.....	12
6.3	Compliance with laws and regulations.....	12
6.4	Procurement.....	13
6.5	Additional Financing.....	13
6.6	Assignment.....	13
6.7	Implementation of the Project.....	13
6.8	Origin of funds, no Acts of Corruption, Fraud or Anti-Competitive Practices.....	13
6.9	Environmental and social responsibility.....	14
6.10	Undertakings with respect to the delegation of funds by the European Union.....	14
6.11	Preservation of Project and insurances.....	15
6.12	Inspections.....	15
6.13	Project Evaluation.....	15
7.	INFORMATION UNDERTAKINGS.....	15
7.1	Progress report.....	16

7.2	Co-Financing.....	16
7.3	Information - miscellaneous.....	16
7.4	Financial and statutory information	17
8.	COSTS AND EXPENSES - REGISTRATION.....	17
8.1	Costs and expenses.....	17
8.2	Recovery costs	17
9.	MISCELLANEOUS	17
9.1	Language.....	17
9.2	Partial Invalidity.....	18
9.3	No waiver	18
9.4	Assignment.....	18
9.5	Legal effect	18
9.6	Entire agreement	18
9.7	Amendments	18
9.8	Confidentiality - Disclosure of information	18
9.9	Statute of Limitations.....	19
10.	NOTICES	19
10.1	In writing.....	19
10.2	Effectiveness	20
10.3	Electronic communications.....	20
11.	ENTRY INTO FORCE – DURATION – TERMINATION	20
11.1	Entry into Force and Duration.....	20
11.2	Termination.....	21
12.	GOVERNING LAW, ENFORCEMENT AND SERVICE OF PROCESS	21
12.1	Governing Law	21
12.2	Jurisdiction.....	21
12.3	Choice of domicile.....	21

SCHEDULE 1A - DEFINITIONS.....	23
SCHEDULE 1B - CONSTRUCTION.....	29
SCHEDULE 2 - PROJECT DESCRIPTION.....	30
SCHEDULE 3 - FINANCING PLAN.....	46
SCHEDULE 4 - CONDITIONS PRECEDENT.....	48
SCHEDULE 5 - ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN.....	49
SCHEDULE 6 - FORM OF IMPACT INDICATORS REPORT.....	50
SCHEDULE 7 - INFORMATION THAT MAY BE PUBLISHED ON THE FRENCH GOVERNMENT WEBSITE AND THE LENDER'S WEBSITE.....	52
SCHEDULE 8 - LIST OF UNDERTAKINGS APPLICABLE TO THE BENEFICIARY UNDER THE DELEGATION OF FUNDS BY THE EUROPEAN UNION.....	53
SCHEDULE 9 - COMMUNICATION AND VISIBILITY PLAN.....	58

W

R

FINANCING AGREEMENT

BETWEEN:

- (1) **THE KINGDOM OF CAMBODIA**, represented by His Excellency Dr. AUN Pornmoniroth, in his capacity as Deputy Prime Minister, Minister of Economy and Finance, who is duly authorized to sign this Agreement pursuant to Delegation of Full Powers No. 87 D.P.F. dated 7th November 2017 from Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia.

(the “**Beneficiary**”);

AND

- (2) **AGENCE FRANCAISE DE DEVELOPPEMENT**, a French public entity (*établissement public*) governed by French law, with registered office at 5, Rue Roland Barthes, 75598 Paris Cedex 12, France, registered with the Trade and Companies Register of Paris under number 775 665 599, represented by Mr. Rémi GENEVEY, in his capacity as Director of the Eastern Europe, Middle East and Asia Department, who is duly authorized to sign this Agreement, (the “**Agency**”);

(hereinafter jointly referred to as the “**Parties**” and each a “**Party**”);

WHEREAS:

- (A) The Beneficiary intends to improve access to water supply and sanitation services in selected provincial towns (the “**Project**”), as described further in Schedule 2 - (*Project Description*).
- (B) The Beneficiary has requested that the Agency makes available a Grant for the purposes of financing the Project in part.
- (C) The Agency has requested that the European Commission (hereinafter the “**Commission**”) finance the Project under the Asia Investment Facility. By approval of the Board dated 15 September 2017, the Commission has delegated its financial contribution in the Project to the Agency to this effect. Therefore, the Commission and the Agency have entered into a delegation agreement on 26th December 2017 (the “**Delegation Agreement**”) in connection with the Project.
- (D) Pursuant to resolution n° C20170570 of the Foreign States Committee dated 22 November 2017, the Agency has agreed to make available the Grant to the Beneficiary pursuant to the terms and conditions of this Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Capitalised words and expressions used in this Agreement (including those appearing in the recitals above and in the Schedules) shall have the meaning given to them in Schedule 1A - (*Definitions*), except as otherwise provided in this Agreement.

1.2 Interpretation

Words and expressions used in this Agreement shall be construed pursuant to the provisions of Schedule 1B - (*Construction*), subject to provisions to the contrary.

2. GRANT, PURPOSE AND CONDITIONS OF UTILISATION

2.1 Grant

Subject to the terms of this Agreement, the Agency makes available to the Beneficiary, based on its request, a Grant in a maximum aggregate amount of three million five hundred eighty thousand Euros (EUR 3,580,000).

2.2 Purpose

The Beneficiary shall apply all amounts made available to it under this Grant exclusively towards financing Eligible Expenses, excluding taxes, duties and any rights in accordance with the Project's description as set out in Schedule 2 - (*Project Description*) and the Financing Plan set out in Schedule 3 -- (*Financing Plan*).

The Beneficiary undertakes not to unilaterally modify the main purpose of the Project as set out in Schedule 2 - (*Project Description*) of this Agreement, its objectives, strategies and priority areas and any other essential element stated in the above mentioned Schedule.

2.3 Monitoring

The Agency cannot be held responsible for the use of any amount made available to the Beneficiary which is not in accordance with the provisions of this Agreement.

The Beneficiary discharges the Agency of all liability in connection with any claim or action brought by any third party as a result of an infringement of regulations and rules applicable to the Beneficiary by the Beneficiary, its employees or individuals for whom it is responsible, or as a result of a violation of a third party's rights, in the context of the implementation of the Project.

2.4 Conditions precedent

- (a) No later than the Signing Date, the Beneficiary shall provide the Agency with all of the documents set out in PART I of Schedule 4 - (*Conditions Precedent*).
- (b) The Beneficiary shall be entitled to deliver a Drawdown request to the Agency if:

- (i) in the case of a first Drawdown, the Agency has received all documents as listed in PART II of Schedule 4 - (*Conditions Precedent*) and has notified the Beneficiary that such documents are satisfactory in form and substance;
- (ii) in the case of any subsequent Drawdown, the Agency has received all documents set out in PART III of Schedule 4 - (*Conditions Precedent*) and has notified the Beneficiary that such documents are satisfactory in form and substance; and
- (iii) on the date of the Drawdown request and on the proposed Drawdown date for the relevant Drawdown, the conditions set out in this Agreement have been fulfilled, including:
 - (1) the Drawdown request has been made in accordance with the terms of Clause 3.1 (*Erreur ! Source du renvoi introuvable.*);
 - (2) no event referred to in Clause 4 (*Postponement or Dismissal of the Drawdown Requests*) is continuing or may occur;
 - (3) each representation given by the Beneficiary in relation to Clause 5 (*Representations and warranties*) is true;
 - (4) no Co-Financier has suspended its payments in relation to the Project; and
 - (5) the Agency has received the funds delegated by the European Union in accordance with the Delegation Agreement.

3. DRAWDOWN OF FUNDS

3.1 Drawdown request

Provided that the conditions set out in Clause 2.4 (*Conditions precedent*) are satisfied, the Beneficiary may draw funds from the Grant, in one or several Drawdowns, by delivery to the Agency of a duly completed Drawdown request.

Each Drawdown request shall be delivered by the Beneficiary (represented by the Ministry of Public Works and Transport) to the head of the Agency office at the address specified in Clause 10.1 (*Notices*).

A Drawdown request will not be regarded as having been duly completed unless all required documents are attached to the Drawdown request and comply with the provisions of Clause 3.22 (*Payment mechanics*).

If all conditions set out in this Agreement are met, the Agency will transfer the requested Drawdown to the Beneficiary.

3.2 Payment mechanics

The funds will be made available in accordance with the following terms and conditions:

3.2.1 Direct payments by the Agency to Contractors with respect to Components 2 and 3

- (a) The Beneficiary may request that the proceeds of a Drawdown are made available directly to Contractors for the payment of Eligible Expenses due under a procurement contract for the supply of goods, services and/or other works entered into for the purposes of implementing the Project. To that effect, the Beneficiary shall deliver to the Agency any instructions necessary to pay the Drawdown directly to the third party contractor and the documents listed in PART II and/or PART III, as the case may be, of Schedule 4 - (*Conditions Precedent*):
- (b) The Beneficiary hereby authorises the Agency, upon its request, to make direct payments in accordance with paragraph (a) au-dessus from the funds of a Drawdown. The Agency is not required, at any time, to verify whether there is a restriction of any nature on the payment of the Drawdown. The Agency reserves the right to reject such a request if it becomes aware of any such restriction.

The Agency shall not be liable to the Beneficiary in any way whatsoever in relation to such Drawdowns and the Beneficiary waives any action it may have against the Agency in this respect. The Beneficiary shall indemnify the Agency against any cost, loss or liability which the Agency incurs in relation to any third party actions against the Agency in respect of such mandate.

3.2.2 Place of payment

Any funds to be transferred by the Agency to the Beneficiary and/or Contractor(s) by way of the Grant will be paid to any bank account in France which has been specifically designated for such purpose by the Beneficiary.

As an exception to the above, and provided that the Agency has given its prior consent, the funds to be transferred to the Beneficiary may be paid to a bank account in the country of the Beneficiary or any other country previously agreed with the Agency.

The funds shall be paid to any financial institution of that country and, depending on the request by the Beneficiary, either in (i) Euros to a bank account denominated in Euros; or (ii) an equivalent of the Drawdown in the currency of legal tender in the jurisdiction of the Beneficiary, in at a market rate of exchange on the day of payment and to a bank account denominated in that currency; or (iii) another convertible currency to a bank account denominated in such currency.

3.2.3 Deadline for direct payment to third party contractors

The Beneficiary shall ensure that the funds disbursed under the Grant for direct payment to third party contractors are used for the financing of expenses of the Project in connection with any work or services carried out or to be carried out before the Deadline for Implementation of the Project. Provided however, for the avoidance of doubt, that funds which are used to finance the costs relating to the final report, the final assessment, the final audit and other costs in connection with the closing of the Project may be used after the Deadline for Implementation of the Project, but prior to the delivery of the final report pursuant to section 9 of Schedule 8.

The Beneficiary undertakes to reimburse within twenty (20) calendar days upon request of the Agency, the funds of the Grant used for expenses incurred in

connection with any work and services carried out after the Deadline for Implementation of the Project.

3.3 Deadline for Drawdown

The final Drawdown request shall be received by the Agency no later than fifteen (15) calendar days before the Deadline for Drawdown. If such request is made during the month preceding the Deadline for Drawdown, it shall be addressed to the Agency and be sent by registered mail, requesting an acknowledgment of receipt.

Any part of the Grant that remains unpaid on such Deadline for Drawdown shall be automatically cancelled.

4. POSTPONEMENT OR DISMISSAL OF THE DRAWDOWN REQUESTS

The Agency shall be entitled to suspend or postpone, or definitively dismiss any Drawdown request upon the occurrence of any of the following events:

(a) Project Documents

Any Project Document, or any right or obligation set out therein, ceases to be in full force and effect or is subject to a notice of termination or its validity, legality or enforceability is challenged.

(b) Misrepresentation

A representation made or warranty given by the Beneficiary in this Agreement, including under Clause 5 (*Representations and warranties*), or in any document delivered by or on behalf of the Beneficiary under or in relation to this Agreement, is incorrect or misleading when made or given, or deemed to be made or given.

(c) Undertakings and Obligations

The Beneficiary does not comply with any term of this Agreement, including, without limitation, any of the undertakings it has given pursuant to Clause 6 (*Undertakings*), in particular Clause 6.100 (*Undertakings with respect to the delegation of funds by the European Union*) and Clause 7 (*Information Undertakings*).

(d) Unlawfulness

It is or becomes unlawful for the Beneficiary to perform any of its obligations under this Agreement.

It becomes unlawful for the Agency pursuant to its applicable law to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Grant.

(e) Material adverse change

Any event (including a change in the political situation of the country of the Beneficiary) or any measure which is likely, according to the Agency's opinion, to have a Material Adverse Effect occurs or is likely to occur.

(f) Withdrawal or suspension of the Project

Any of the following occurs:

- the implementation of the Project is suspended or postponed for a period exceeding six (6) months; or
- the Project has not been completed in full by the Deadline for Implementation of the Project; or
- the Beneficiary withdraws from, or ceases to participate in, the Project.

(g) Authorizations

Any Authorization required for the Beneficiary in order to perform or comply with its obligations under this Agreement or its other material obligations under any Project Documents or required in the ordinary course of the Project is not obtained within the required timeframe or is cancelled or becomes invalid or otherwise ceases to be in full force and effect.

(h) Co-Financier(s)

The Co-Financier(s) has (have) suspended its (their) payments in relation to the Project.

(i) Suspension of free convertibility and free transfer

Free convertibility and/or free transfer of the amounts received in relation to the Grant by the Beneficiary, or any other funds provided by the Agency to the Beneficiary or any beneficiary of the jurisdiction of the Project, is challenged.

(j) Default by the Beneficiary in relation to a credit facility agreement

The Beneficiary is in default in relation to a credit facility agreement entered into with the Agency.

(k) Suspension of payments under the Delegation Agreement

Any disbursement of the funds delegated by the European Union to the Agency under the Delegation Agreement is suspended for any reason whatsoever.

(l) Force Majeure

A Force Majeure event has occurred and has an adverse effect on the implementation of all or part of the Project.

(m) Utilisation of the funds of the Grant in contradiction with the terms and conditions of this Agreement and the Project

The Beneficiary uses the funds of the Grant for a purpose other than the one agreed under the Agreement, or the funds of the Grant are unduly paid by the Beneficiary or are not properly used by its contractors.

(n) Termination or suspension of the Delegation Agreement

The Delegation Agreement is cancelled, terminated or suspended for any reason whatsoever.

5. REPRESENTATIONS AND WARRANTIES

All the representations and warranties set out in this Clause 5 (*Representations and warranties*) are made by the Beneficiary for the benefit of the Agency on the Signing Date. All the representations and warranties in this Clause 5 (*Representations and warranties*) are deemed to be made by the Beneficiary on each Drawdown Date.

5.1 Power and authority

The Beneficiary has the power to enter into, perform and deliver this Agreement and Project Documents and to perform all contemplated obligations. The Beneficiary has taken all necessary action to authorise its entry into, performance and delivery of this Agreement and Project Documents and the activities funded by the Grant.

5.2 Binding Obligations

The obligations expressed to be assumed by the Beneficiary under this Agreement comply with all laws and regulations applicable to the Beneficiary in its jurisdiction of establishment and are legal, valid, binding and enforceable obligations which are effective in accordance with their written terms.

5.3 No conflict with other obligations of the Beneficiary

The entry into and performance by the Beneficiary of, and the obligations contemplated by, this Agreement do not conflict with any domestic or foreign applicable law or regulation or any agreement or instrument binding upon the Beneficiary or affecting any of its assets.

5.4 Validity and admissibility in evidence

All Authorizations required:

- (a) to enable the Beneficiary to lawfully enter into, and exercise its rights and comply with its obligations under this Agreement and Project Documents; and
- (b) to make this Agreement and the Project Documents admissible in evidence in the courts of the jurisdiction of the Beneficiary,

have been obtained and are in full force and effect and no circumstances exist which could result in the revocation, non-renewal or modification, in whole or in part, of any such Authorizations.

5.5 Project Authorizations

All Project Authorizations have been obtained or effected and are in full force and effect and there are no circumstances which may result in any Project Authorization being revoked, cancelled, not renewed or varied in whole or in part.

5.6 Procurement

With respect to the supply of goods, services and/or other works to be procured as part of Component 2, the Beneficiary (i) has received a copy of ADB's Procurement Guidelines (2015, as amended from time to time) and (ii) understands the terms of such Procurement Guidelines, in particular, those terms relating to any actions which ADB may take in the case of a breach of its Procurement Guidelines by the Beneficiary.

The Beneficiary is contractually bound by ADB's Procurement Guidelines as if such Procurement Guidelines were incorporated by reference into this Agreement. The Beneficiary confirms that the procurement, allocation and performance of the contracts relating to the implementation of the Project comply with ADB's Procurement Guidelines.

With respect to the supply of goods, services and/or other works to be procured as part of Component 3, the Beneficiary: (i) has received a copy of the Procurement Guidelines and (ii) understands the terms of the Procurement Guidelines, in particular, those terms relating to any actions which the Agency may take in the case of a breach of the Procurement Guidelines by the Beneficiary.

The Beneficiary is contractually bound by the Procurement Guidelines as if such Procurement Guidelines were incorporated by reference into this Agreement.

5.7 Origin of funds, Acts of Corruption, Fraud and Anti-Competitive Practices

The Beneficiary represents and warrants that:

- (i) all the funds invested in the Project are from the State budget; and
- (ii) the Project (in particular, the negotiation, award and performance of any contracts which have been funded by the Grant) has not given rise to any Act of Corruption, Fraud or Anti-Competitive Practice.

6. UNDERTAKINGS

The undertakings in this Clause 6 (*Undertakings*) take effect on the Signing Date and remain in full force and effect for the duration of this Agreement.

6.1 Authorizations

The Beneficiary shall promptly obtain, comply with and do all that is necessary to maintain in full force and effect any Authorization required under any applicable law or regulation to enable it to perform its obligations under this Agreement and to ensure the legality, validity, enforceability and admissibility in evidence of this Agreement or any Project Document.

6.2 Project Documents

The Beneficiary shall provide the Agency with a copy of any amendment to any Project Documents and shall not, and shall not agree to, make any material amendment to any Project Document without obtaining the Agency's prior consent.

6.3 Compliance with laws and regulations

The Beneficiary shall comply:

- (a) in all respects with all laws and regulations to which it and/or the Project is subject, particularly in relation to publication of information encouraging tax transparency, as well as all applicable environmental protection, human rights, safety and labour laws including conventions of the International Labour Organization ("ILO") and the international environmental conventions with

respect to environmental protection which are not conflicting with applicable law of the relevant country;

- (b) with all of its obligations under the Project Documents.

6.4 Procurement

In relation to the procurement, award and performance of contracts entered into in connection with the implementation of Component 2 of the Project, the Beneficiary shall comply with, and implement, the provisions of ADB's Procurement Guidelines and the Royal Government of Cambodia (RGC)'s Financial Management Manual (FMM) for Externally Financed Projects/Programs promulgated as part of the RGC's Standard Procedures (SP).

In relation to the procurement, award and performance of contracts entered into in connection with the implementation of Component 3 of the Project, the Beneficiary shall comply with, and implement, the provisions of the Procurement Guidelines.

The Beneficiary shall take all actions and steps necessary for the effective implementation of both ADB's and the Agency's Procurement Guidelines.

If the Beneficiary does not comply with either ADB's or the Agency's Procurement Guidelines, the Agency shall declare the costs incurred under such procurement not eligible to the financing under this Agreement. The Beneficiary shall reimburse to the Agency the funds of the Grant used to pay these ineligible costs.

6.5 Additional Financing

The Beneficiary shall not amend or alter the Financing Plan without obtaining the Agency's prior written consent and shall finance any additional costs not anticipated in the Financing Plan on terms satisfactory to the Agency.

6.6 Assignment

Upon the Agency's request, the Beneficiary shall:

- (i) include in the Insurance Policies the Agency as sole beneficiary of any insurance proceeds; and
- (ii) assign to the Agency the benefit of the Contractor's Guarantees.

6.7 Implementation of the Project

The Beneficiary shall:

- (i) ensure that persons, groups or entities participating in the implementation of the Project are not listed on any Financial Sanctions List (including those related to the fight against terrorist financing)
- (ii) not purchase, supply, finance any supplies, services or sectors which are subject to an Embargo by the United Nations, the European Union or France.

6.8 Origin of funds, no Acts of Corruption, Fraud or Anti-Competitive Practices

The Beneficiary undertakes:

- (i) to ensure that the funds other than State funds invested in the Project will not come from Illicit Origin;
- (ii) to ensure that the Project (in particular during the negotiation, entry into and performance of the contracts financed by the Grant) shall not give rise to any Act of Corruption, Fraud or Anti-Competitive Practice;
- (iii) to inform the Agency with no delay as soon as it becomes aware of or suspects any Act of Corruption, Fraud or Anti-Competitive Practice;
- (iv) to take all necessary measures to remedy the situation in a manner satisfactory to the Agency and within the time period determined by the Agency, in the case of paragraph (iii), or at the Agency's request if the Agency suspects that the acts or practices specified in paragraph (iii) have occurred; and
- (v) to notify the Agency without delay if it is aware of information which leads to suspect the Illicit Origin of funds invested in the Project.

6.9 Environmental and social responsibility

In order to promote sustainable development, the Parties agree that it is necessary that internationally recognised environmental and labour standards, including the fundamental conventions of the International Labour Organization (“ILO”) and the relevant international environmental treaties, be complied with.

For such purpose, the Beneficiary shall within the context of the Project:

- (a) include in the competitive bid documentation and procurement contracts a clause whereby each Contractor undertakes, and procures that its sub-contractors (if any) undertake, to comply with such international standards in accordance with the applicable laws and regulations of the country in which the Project is being implemented. The Agency reserves the right to request that the Beneficiary provides a report on environmental and social conditions of implementation of the Project;
- (b) put in place appropriate mitigation measures specific to the Project as defined in the context of the Project environmental and social risk management approach, set out in the Environmental and Social Commitment Plan (ESCP) attached as Schedule 5 - (*Environmental and Social Commitment Plan*);
- (c) require that the contractors appointed for implementing the Project apply the mitigation measures set out in paragraph (b) and procure that their subcontractors (if any) comply with all such measures, and take all appropriate steps in the event of a failure to comply with all such measures; and
- (d) provide the Agency with quarterly follow-up reports on the implementation of the ESCP.

6.10 Undertakings with respect to the delegation of funds by the European Union

- (a) The Beneficiary undertakes to fulfil its obligations under Schedule 8 - (*List of undertakings applicable to the Beneficiary under the delegation of funds by the European Union*) of the Agreement.
- (b) The Beneficiary shall also ensure that the obligations under section 1 “Conflict of interests”, section 2 “Data protection”, section 3 “Communication

and visibility”, section 5 “Accounting and archiving” and section 6 “Access and financial checks” of the Schedule 8 - (*List of undertakings applicable to the Beneficiary under the delegation of funds by the European Union*) of the Agreement, apply to its contractors in the Project Documents or any other contract concluded in relation to the implementation of the Project.

6.11 Preservation of Project and insurances

The Beneficiary shall:

- (a) implement and maintain the Project in accordance with generally accepted principles of care and commercial practice and in accordance with technical standards in force;
- (b) maintain all Project assets in good working order and condition in accordance with all applicable laws and regulations and use such assets for their proper purpose and in accordance with all applicable laws and regulations;
- (c) take out insurance policies to cover the financed assets against the primary construction and operation risks.

6.12 Inspections

The Beneficiary shall allow the Agency and the Commission and their representatives (i) to participate to the monitoring and evaluation of the Project and (ii) to carry out inspections in relation to the implementation and operations, financial aspects included, of the Project, its impact and the achievement of the objectives of the Project.

The Beneficiary shall co-operate with the Agency and the Commission and their representatives when carrying out such inspections, the timing and format of which shall, in each case, be determined by the Agency and the Commission following consultation with the Beneficiary. The Beneficiary undertakes to make available to the Commission and their representatives all necessary information and original supporting documents.

The Beneficiary shall retain and make available for inspection by the Agency, all documents relating to the Project for a period of ten (10) years following the Deadline for Drawdown.

6.13 Project Evaluation

The Beneficiary acknowledges that the Agency may carry out, or procure that a third party carries out on its behalf, an evaluation of the Project. Feedback from this evaluation will be used to produce a performance report containing information on the Project, such as total amount and duration of the funding, objectives of the Project, performance targets and actual expenditure of the Project and an assessment of the relevance, efficiency, impact and viability/sustainability of the Project.

7. INFORMATION UNDERTAKINGS

The undertakings in this Clause 7 (*Information Undertakings*) take effect on the Signing Date and remain in full force and effect for the duration of this Agreement.

7.1 Progress report

The Beneficiary shall provide the Agency with:

- (a) until the Deadline for Implementation of the Project, within fifteen (15) calendar days following the anniversary date of the Delegation Agreement, with a technical and financial progress report in relation to the implementation of the Project which draft shall be prepared in accordance with section 9 of Schedule 8 - (*List of undertakings applicable to the Beneficiary under the delegation of funds by the European Union*) of the Agreement.
- (b) within three (3) months after the Deadline for Implementation of the Project, with a general implementation report (the “**General Implementation Report**”).
- (c) within three (3) months after the Deadline for Implementation of the Project, with a report in relation to the impact indicators of the Project in the form set out in Schedule 6 - (*Form of Impact Indicators Report*).

7.2 Co-Financing

The Beneficiary shall promptly inform the Agency of any cancellation, in whole or in part, or any prepayment in respect, of a Co-Financing.

7.3 Information - miscellaneous

The Beneficiary shall provide the Agency with:

- (a) immediately upon becoming aware of them, details of any event or circumstance which is or may be an event causing a deferral or dismissal of a Drawdown request or which has or may have a Material Adverse Effect, the nature of such an event and all the actions taken or to be taken to remedy it (if any);
- (b) immediately any information relating to an event or circumstance which is or may be considered as an utilisation of the funds of the Grant in contradiction with the terms and conditions of the Agreement, a payment which is undue or any other irregularity in the utilisation of the funds of the Grant;
- (c) promptly upon becoming aware of them, details of any incident or accident directly related to the implementation of the Project which might have a significant impact on the Project site, the working conditions of its employees or any contractors working on the implementation of the Project, the nature of such incident or accident, together with details of any action taken or proposed to be taken, as applicable, by the Beneficiary to remedy it. The Agency reserves the right to request from the Beneficiary to adopt additional measures in order to deal with such incident or accident. If no agreement is reached with the Beneficiary for the implementation of such measures or remedies, the Agency may terminate this Agreement in accordance with Clause 11.2 (*Termination*) of this Agreement;
- (d) promptly, details of any decision or event which might affect the organisation, completion or operation of the Project;

- (e) for the entire duration of the Project implementation, the interim and final reports prepared by any service provider and/or Contractor, and thereafter a comprehensive implementation report;
- (f) promptly, any further information or documents with respect to the use of funds and implementation conditions of the Project Documents as well as contracts entered into for their implementation that the Agency may request.

7.4 Financial and statutory information

The Beneficiary shall provide the Agency with its annual financial or budgetary documents after their approval as well as any details that the Agency may reasonably require in relation to its financial position.

8. COSTS AND EXPENSES - REGISTRATION

8.1 Costs and expenses

The Beneficiary shall pay all costs and expenses incurred in connection with the negotiation, preparation and signing of this Agreement including, as the case may be:

- (i) lawyer's fees;
- (ii) registration costs, if registration is requested by one of the Parties, and other similar taxes payable in respect of this Agreement; and
- (iii) costs and expenses in connection with the transfer of funds from Paris financial centre to any other financial centre agreed with the Agency.

Payment by the Agency of any costs and expenses in connection with the negotiation, preparation and signing of this Agreement shall be charged to the remaining funds of the Grant.

8.2 Recovery costs

The Beneficiary shall pay directly or reimburse the Agency for all reasonable costs and expenses, if applicable, that the Agency would incur or has paid for any step to be taken including without limitation in case of judicial recourses for the recovery of all amount of the Grant irregularly or unduly used or paid under this Agreement.

9. MISCELLANEOUS

9.1 Language

The language of this Agreement is English. If this Agreement is translated, the English version shall prevail in the event of any conflicting interpretation of the terms of this Agreement or in the event of a dispute between the Parties.

All communications or documents provided under, or in connection with, this Agreement shall be in English.

The Agency may request that any communication or document provided under, or in connection with, this Agreement which is not in English is accompanied by a Certified English translation, in which case, the English translation shall prevail unless the document is a legal text or other official document.

9.2 Partial Invalidity

If, at any time, a term of this Agreement is or becomes illegal, invalid or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement will not be affected.

9.3 No waiver

Failure to exercise, or delay in exercising, any right on the part of the Agency shall not operate as a waiver of that right.

Partial exercise of a right shall not prevail any further exercise of such right or the exercise of such right or any other right or remedy under any applicable law.

The Agency's rights and remedies under this Agreement are cumulative and not exclusive of its rights and recourse under any applicable law.

9.4 Assignment

The Beneficiary may not assign or transfer, in any manner whatsoever, all or any of its rights and obligations under this Agreement without the prior written consent of the Agency.

The Agency may assign or transfer to a third party its rights and obligations under this Agreement.

9.5 Legal effect

The Schedules annexed hereto, the Procurement Guidelines and the recitals hereof form part of this Agreement and have the same legal effect as the other terms of this Agreement.

9.6 Entire agreement

As of the Signing Date, this Agreement represents the entire agreement between the Parties in relation to the matters set out herein, and supersedes and replaces all previous documents, agreements or understandings which may have been exchanged or communicated as part of the negotiations in connection with this Agreement.

9.7 Amendments

No amendment may be made to this Agreement unless expressly agreed in writing between the Parties.

9.8 Confidentiality - Disclosure of information

- (a) The Beneficiary shall not disclose the content of this Agreement to any third party without the prior consent of the Agency except to any person to whom the Beneficiary has a disclosure obligation under any applicable law, regulation or judicial ruling.

- (b) Notwithstanding any existing confidentiality agreement, the Agency may disclose any information or documents in relation to the Project to: (i) its auditors, rating agencies, legal advisers or supervisory bodies such as, for instance, the European Anti-Fraud Office (OLAF); and (ii) any person or entity for the purpose of taking any protective measures or preserving the rights of the Agency under this Agreement.
- (c) Furthermore, the Beneficiary hereby expressly authorizes the Agency:
 - (i) to exchange with the French Republic for publication on the French government website pursuant to any request from International Aid Transparency Initiative; and
 - (ii) to publish on the Agency's Website information relating to the Project and its financing as listed in Schedule 7 - (*Information that may be published on the French Government Website and the Lender's Website*).

9.9 Statute of Limitations

The statute of limitations period in relation to this Agreement is ten (10) years.

10. NOTICES

10.1 In writing

Any notice, request or other communication provided under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be given by fax or by post to the address and number of the relevant Party set out below:

For the Beneficiary:

THE KINGDOM OF CAMBODIA

Address: Street 92, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia

Telephone: + 855 23 724 664

Facsimile: + 855 23 427 498

Attention: His Excellency Dr. Aun Pornmoniroth

Deputy Prime Minister, Minister of Economy and Finance

For the Agency:

AFD HEAD OFFICE

Address: 5, Rue Roland Barthes 75598 PARIS Cedex 12

Telephone: + 33 1 53 44 31 31

Facsimile: + 33 1 44 87 39 65

Attention: Director of Asia Department

With a copy to:

AFD – PHNOM PENH OFFICE

Address: 5, street 106 BP 102, Phnom Penh, Cambodia

Telephone: + 855 23 426 360

Facsimile: + 855 23 426 036

Attention: Head of AFD Office

or such other address, fax number, department or officer as one Party notifies to the other Party with at least five (5) Business Days' prior notice.

10.2 Effectiveness

Any notice, request or communication made, or any document sent, by a Party to the other Party in connection with this Agreement is deemed to become effective as follows:

- (i) if by fax, when received in a legible form; and
- (ii) if posted, when delivered to the correct address,

and, where a particular person or a department has been specified, if such notice, request or communication has been addressed to that person or department.

10.3 Electronic communications

- (a) Any communication made by one person to another under or in connection with this Agreement may be sent by electronic mail or other electronic means if the Parties:
 - (i) agree that, unless and until notified to the contrary, this is to be an accepted form of communication;
 - (ii) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - (iii) notify each other of any change to their address or any other such information supplied by them.
- (b) Any electronic communication made between the Parties will be effective only when actually received in a readable form.

11. ENTRY INTO FORCE – DURATION – TERMINATION

11.1 Entry into Force and Duration

This Agreement comes into force on the day of the Signing Date provided that all the requested formalities in relation to the validity of this Agreement under the law of the

country of the Beneficiary have been fulfilled in a satisfactory manner for the Agency and shall remain in full force and effect for effect until the expiration date of a two (2) year period starting on the date of the General Implementation Report set out in Clause 7.1 (b) as from the Signing Date.

Notwithstanding the above, the requirements of, Clause 6.12 (*Inspections*) and Clause 9.8 (*Confidentiality - Disclosure of information*) will remain in full force and effect for five (5) years following the date mentioned in the paragraph above.

11.2 Termination

The Agency reserves the right to terminate this Agreement if the first Drawdown has not been drawn within eighteen (18) months from the date of approval of the Grant referred to in paragraph (D) of the Recitals.

The Agency also reserves the right to terminate this Agreement upon the occurrence of one of the events referred to in Clause 4 (*Postponement or Dismissal of the Drawdown Requests*).

The Agency shall inform the Beneficiary of such termination by registered mail. Upon request by the Agency, and due to the occurrence of any of these events, the Beneficiary shall repay the funds of the Grant, in whole or in part.

12. GOVERNING LAW, ENFORCEMENT AND SERVICE OF PROCESS

12.1 Governing Law

This Agreement is governed by French law.

12.2 Jurisdiction

Any dispute arising out of or in connection with this Agreement shall be settled by the courts of PARIS. The Parties expressly agree that, by signing this Agreement, the Beneficiary irrevocably waives all rights of immunity in respect of jurisdiction or performance on which it could otherwise rely and will not be entitled to claim for itself or any of its assets, immunity from suit, execution, attachment or other legal process.

12.3 Choice of domicile

Without prejudice to any applicable law, for the purposes of serving judicial and extrajudicial documents in connection with any action or proceedings referred to above, the Beneficiary irrevocably chooses its registered office as at the date of this Agreement at the address set out in Clause 10 (*Notices*) as its domicile, and the Agency chooses the address "AFD Head Office" set out in Clause 10 (*Notices*) as its domicile.

4

B

Executed in three (2) originals, at Phnom Penh, on 16th November 2018.

BENEFICIARY

THE KINGDOM OF CAMBODIA



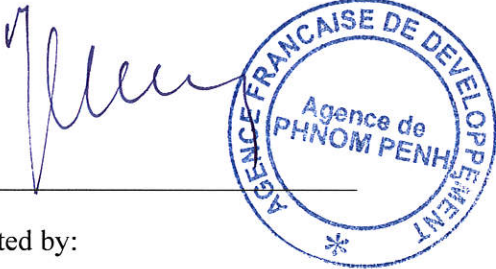
Represented by:

Name: His Excellency Dr. AUN Pornmoniroth

Capacity: Deputy-Prime Minister, Minister of Economy and Finance

AGENCY

AGENCE FRANÇAISE DE DÉVELOPPEMENT



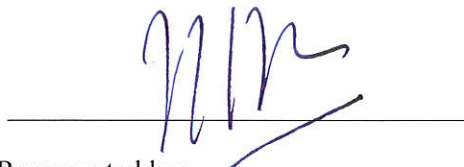
Represented by:

Name: Mr Rémi GENEVEY

Capacity: Director of the Eastern Europe, Middle East and Asia Department

COSIGNER

EMBASSY OF FRANCE



Represented by:

Name : H. E. Eva NGUYEN BINH

Capacity: Ambassador of France

Schedule 1A - Definitions

<p>Act of Corruption</p>	<p>means any of the following:</p> <ul style="list-style-type: none"> (a) the act of promising, offering or giving, directly or indirectly, to a Public Official or to any person who directs or works, in any capacity, for a private sector entity, an undue advantage of any nature, for the relevant person himself or herself or for another person or entity, in order that this person acts or refrains from acting in breach of his or her legal, contractual or professional obligations and, having for effect to influence his or her own actions or those of another person or entity; or (b) the act of a Public Official or any person who directs or works, in any capacity, for a private sector entity, soliciting or accepting, directly or indirectly, an undue advantage of any nature, for the relevant person himself or herself or for another person or entity, in order that this person acts or refrains from acting in breach of his or her legal, contractual or professional obligations and, having for effect to influence his or her own actions or those of another person or entity.
<p>ADB's Procurement Guidelines</p>	<p>means, according to the cofinancing agreement entered into between the Borrower and ADB in relation to the financing of the Project, the contractual provisions contained in the guidelines relating to procurement financed by ADB in foreign countries dated April 2015, a copy of which has been delivered to the Beneficiary. The Procurement Guidelines are available on ADB's Website.</p>
<p>Agreement</p>	<p>means this financing agreement, including its recitals, Clauses, Schedules, Procurement Guidelines and, if applicable, any amendments made in writing thereto.</p>
<p>Anti-Competitive Practices</p>	<p>means:</p> <ul style="list-style-type: none"> (a) any concerted or implicit action having as its object and/or as its effects to impede, restrict or distort fair competition in a market, including without limitation when it tends to: (i) limit market access or the free exercise of competition by other companies; (ii) prevent price setting by the free play of markets by artificially favouring the increase or decrease of such prices; (iii) limit or control any production, markets, investment or technical progress; or (iv) share out markets or sources of supply; (b) any abuse by a company or group of companies of a dominant position within a domestic market or in a substantial part thereof; or

4

B

	(c) any bid or predatory pricing having as its object and/or its effect to eliminate from a market, or to prevent a company or one of its products from accessing the market.
Authority(ies)	means any government or any body, department or commission exercising a public prerogative, or any administration, court, agency or state or any governmental, administrative, tax or judicial entity.
Authorization(s)	means any Authorization, consent, approval, resolution, permit, licence, exemption, filing, notarization or registration, or any exemptions in respect thereof, obtained from or provided by an Authority, whether granted by means of an act or omission within a defined time limit.
Certified	means for any copy, photocopy or other duplicate of an original document, the certification by any duly authorised person, as to the conformity of the copy, photocopy or duplicate with the original document.
Co-Financier(s)	means the following co-financier(s) of the Project: the Asian Development Bank (“ADB”) for an amount (known or contemplated) of fifty million US dollars (50,000,000 USD); the Japan Fund for the Joint Crediting Mechanism for an amount (known or contemplated) of ten million US dollars (10,000,000 USD); the Kingdom of Cambodia for an amount (known or contemplated) of ten million six hundred thousand US dollars (10,600,000 USD).
Co-Financing	means any or all of the proceeds of the loans made available to the Beneficiary by the Co-Financiers according to the following agreements: – Credit Facility Agreement N°CKH 1188 01 V entered into between the Beneficiary and the Agency on January 24 th 2018 for a maximum aggregate amount of forty-three million five hundred thirty-eight thousand six hundred forty-two US Dollars (USD 43,538,642); – Loan Number 3630-CAM(COL) entered into between the Beneficiary and the ADB on January 9 th 2018 for a maximum aggregate amount of fifty million US Dollars (USD 50,000,000).
Component 2	means the component 2 of the Project as described in Schedule 2 - (<i>Project Description</i>).
Component 3	means the component 3 of the Project as described in Schedule 2 - (<i>Project Description</i>).

Contractor(s)	means third party contractor(s) appointed by the Beneficiary to implement all or part of the Project as described in Schedule 2 - (<i>Project Description</i>).
Contractor's Guarantee(s)	means any guarantee provided to the Beneficiary directly or indirectly by any co-contractor in charge of the implementation of the Project or any part thereof, such as, for example, the completion guarantee or the advance payment guarantee.
Deadline for Drawdown	means December 25 th 2022, date after which no further Drawdown may occur.
Deadline for Implementation of the Project	means the date defined as in the special conditions of the Delegation Agreement and which shall occur no later than December 25 th 2022.
Delegation Agreement	has the meaning given to this term in paragraph (C) of the preamble of the Agreement.
Drawdown	means the drawdown of all or part of the funds made available by the Agency to the Beneficiary in connection with the Grant pursuant to the conditions set out in Clause 3 (<i>Drawdown of Funds</i>).
Eligible Expense(s)	means the expense(s) relating to components 2 and 3 of the Project as set out in Schedule 3 - (<i>Financing Plan</i>), which are incurred for work and services carried out before the Deadline for Implementation of the Project and considered as eligible under article 18 (" <i>Eligible Expenses</i> ") of Schedule II – Part II (General Conditions) of the Delegation Agreement.
Embargo	means any sanction of a commercial nature which is intended to prohibit any import or export (any supply, sale or transfer) of one or several types of goods, products or services going to and/or coming from any country for a given period and as published and amended by the United Nations, the European Union or France.
ESCP	means the environmental and/or social commitment plan substantially in the form set out in Schedule 5 - (<i>Environmental and Social Commitment Plan</i>), setting out the Beneficiary's commitment to avoid, mitigate or compensate negative consequences of the Project, on human and natural environment and any planned monitoring as well as the formal steps required in order to carry out such actions.
Euro(s) or EUR	means the single currency of the member states of the European Economic and Monetary Union, including France, and having legal tender in such member states.
Financial Sanctions List	means the list(s) of specially appointed persons, groups or entities which are subject to financial sanctions by the United Nations, the European Union and France.

	<p>For information purposes only and for the convenience of the Beneficiary, who may not rely on them, the following references or website addresses are provided:</p> <p>For the lists maintained by the United Nations, the following website may be consulted:</p> <p>http://www.un.org/sc/committees/list_compend.shtml</p> <p>For the lists maintained by the European Union, the following website may be consulted:</p> <p>http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm</p> <p>For the lists maintained by France, the following website may be consulted:</p> <p>http://www.tresor.economie.gouv.fr/4248_liste-nationale</p>
Financing Plan	means the financing plan of the Project set out in Schedule 3 - (<i>Financing Plan</i>).
FMM	means the Financial Management Manual dated 22 May 2012 (as amended from time to time) under the Standard Operating Procedures prepared by the Beneficiary and endorsed by the Asian Development Bank and the World Bank, which sets forth the financial management-related policies and procedures for externally-financed projects and programs.
Force Majeure	means any unforeseeable exceptional situation or event beyond the Parties control which prevents either of them from fulfilling any of its obligations under the Agreement, which may not be attributed to error or negligence on either part (or the part of Contractors, agents or staff), and which could not have been avoided by the exercise of due diligence.
Fraud	means any unfair practice (acts or omissions) deliberately intended to mislead others, to intentionally conceal elements there from, or to betray or vitiate his/her consent, to circumvent any legal or regulatory requirements and/or to violate internal rules and procedures of the Beneficiary or a third party in order to obtain an illegitimate benefit.
Fraud against the Financial Interests of the European Community	means any intentional act or omission intended to damage the European Union budget and involving (i) the use or presentation of false, inaccurate or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of funds or in any illegal reduction in resources of the general budget of the European Union; (ii) the non-disclosure of information with the same effect; and (iii) misappropriation of such funds for purposes other than those for which such funds were originally granted.
Grant	means the commitment granted by the Agency in accordance

	with this Agreement up to the maximum principal amount set out in Clause 2 (<i>Grant, Purpose and Conditions of Utilisation</i>).
Illicit Origin	means funds obtained through: <ul style="list-style-type: none"> – the commission of any predicate offence as designated in the FATF 40 recommendations Glossary under "<i>catégories désignées d'infractions</i>" (http://www.fatf-gafi.org/fr/pages/glossaire/a-c/); – any Act of Corruption; or – any Fraud against the Financial Interests of the European Community, if or when applicable.
Insurance Policies	means the insurance policies that the Beneficiary is required to subscribe and maintain in connection with the implementation of the Project, in a form acceptable to the Agency.
Integrity Statement	means the integrity, eligibility and environmental and social undertaking statement, the form for which is set out in the Schedules to the Procurement Guidelines. Such statement shall be provided by any tenderer or candidate pursuant to the terms set out in clause 1.2.3 of the Procurement Guidelines.
Material Adverse Effect	means a material adverse effect on: <ul style="list-style-type: none"> – the Project, insofar as it would jeopardise the continuation of the Project in accordance with this Agreement and the Project Documents; – the business, assets, financial condition of the Beneficiary or its ability to honour its obligations under this Agreement and the Project Documents; – the validity or enforceability of this Agreement and any Project Documents.
Procurement Guidelines	means the contractual provisions in the guidelines relating to procurement financed by the Agency in foreign countries in full force and effect on the date of this Agreement, a copy of which is available on the Website and has been delivered to the Beneficiary.
Project	means the project as described in Schedule 2 - (<i>Project Description</i>).
Project Authorizations	means the Authorizations necessary in order for (i) the Beneficiary to implement the Project and execute all Project Documents to which it is a party and to exercise its rights and perform its obligations under the Project Documents to which it is a party; and (ii) the Project Documents to which the Beneficiary is a party to be admissible as evidence before courts in the jurisdiction of the Beneficiary or before a competent arbitral tribunal.

Project Documents	means all the documents, and in particular agreements, supplied or executed by the Beneficiary regarding the implementation of the Project, being each of the following documents: – contracts entered into with the Contractor(s) for the implementation of the Project.
Public Official	means any holder of legislative, executive, administrative or judicial office whether appointed or elected, permanent or temporary, paid or unpaid, regardless of rank or any other person defined as a public officer under the domestic law of the Beneficiary's jurisdiction of incorporation, and any other person exercising a public function, including for a public agency or organisation, or providing a public service.
Schedule(s)	means any Schedule or Schedules to this Agreement.
Service(s)	means the studies and/or technical assistance as described in Schedule 2 - (<i>Project Description</i>).
Signing Date	means the date of execution of this Agreement by all the Parties.
SP	means the Standard Procedures by the Sub-Decree No.74 ANK. BK dated 22 May 2012 which are the standard operating procedures of the Beneficiary, as amended from time to time, providing procedures applicable to all externally-financed projects and programs.
Website	means the website of the Agency (http://www.afd.fr/) or any other such replacement website.

Schedule 1B - Construction

- (a) “**assets**” includes all present and future properties, revenues and rights;
- (b) any reference to the “**Beneficiary**”, a “**Party**” or a “**Agency**” includes its successors in title, permitted assigns and permitted transferees;
- (c) any reference to this Agreement or other document or security is a reference to this Agreement or to such other document or security as amended, restated or supplemented and includes, if applicable, any document which replaces it through novation, in accordance with this Agreement;
- (d) a “**guarantee**” includes any security and any guaranty which is independent from the debt to which it relates;
- (e) a “**person**” includes any person, company, corporation, partnership, trust, government, state or state agency or any association, or group of two or more of the foregoing (whether or not having separate legal personality);
- (f) a “**regulation**” includes any legislation, regulation, rule, decree, official directive, instruction, request, advice, recommendation, decision or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, supervisory authority, regulatory authority, independent administrative authority, agency, department or any division of any other authority or organisation (including any regulation issued by an industrial or commercial public entity) having an effect on this Agreement or on the rights and obligations of a Party;
- (g) a provision of law is a reference to that provision as amended;
- (h) unless otherwise provided, a time of day is a reference to Paris time;
- (i) the Section, Clause and Schedule headings are for ease of reference only and do not affect the interpretation of this Agreement;
- (j) unless otherwise provided, words and expressions used in any other document relating to this Agreement or in any notice given in connection with this Agreement have the same meaning in that document or notice as in this Agreement; and
- (k) a reference to a Clause or Schedule shall be a reference to a Clause or Schedule of this Agreement.

W

PS

SCHEDULE 2 - Project Description

The Asia Investment Facility (AIF) has been created to provide EU grant support for lending operations led by European multilateral development-finance institutions and also bilateral development finance institutions of the Member States ("European Finance Institutions"). The AIF provides grants for investment co-financing, loan guarantee cost financing, interest rate subsidies, risk capital operations and technical assistance packages. The objective is to combine European Union grants with loans from consortia of European Finance Institutions in order to finance large investment projects in the Asian region.

The AIF supports projects focussing on the sector priorities established by the Development Cooperation Instrument (DCI) and the Multi-Annual Indicative Programme for the Asia Region and targets the following sectors: energy, environment, social infrastructure and the private sector.

In September 2017, based on a proposal made by Agence Française de Développement ("AFD"), the AIF Blending Framework Board issued a favourable opinion on the proposed contribution of EUR 4 670 000 (the "AIF contribution"), financed by the EU budget to support the "**Provincial Water Supply and Sanitation Project (PWSSP)**" in Cambodia.

1. Background

Cambodia's 2016 population is estimated at 15.45 million and is predicted to grow to some 17.02 million in 2022. About 20% of the population presently lives in urban areas. Urbanization is far outstripping rural population growth, and the urban population is expected to reach 30% of the national total, by 2030. Since reintegration into the international development community after the 1993 elections, Cambodia has made significant progress in rebuilding and recovering from a conflict affected past. Investment in the urban water and sanitation sector has centred on the capital city, and today the Phnom Penh Water Authority (PPWSA) is one of the most efficient water utilities in Asia. However, infrastructure and institutional development in the provincial towns has received inadequate levels of investment, mostly financed by development assistance from bilateral and multilateral development partners. That is how the connection rate to the piped water supply network is 48% in Battambang and 41% in Kampong Cham, versus 85% in Phnom Penh.

Inadequate urban water supply and sanitation services contribute to poor health conditions for the poorer communities and households (HHs), a situation which is further exacerbated by structural and organizational weaknesses in the sector with weak definition of institutional roles, poor coordination and planning, and for the provincial public waterworks (PWWs) and provincial wastewater units (PWUs) insufficient autonomy and accountability.

Overall policy and regulatory framework (but also investment) is managed at central level, the provinces being responsible for implementation and then operation and maintenance of the services only. Within this perimeter, the *urban water supply sector* is the responsibility of the Ministry of Industry and Handicraft (MIH) under its General Department of Potable Water Supply, and the *urban sanitation sector* is the responsibility of the Ministry of Public Works and Transport (MPWT), under its General Department of Public Works. The project will provide opportunities for the two ministries to collaborate closely.

The Ministry of Rural Development (MRD) is responsible for both the water supply and sanitation sectors in villages, where there is no piped water supply provided by a government or private entity and customers pay a tariff/charge for the water. Other ministries involved in the water supply and sanitation sectors are:

- Ministry of Water Resources and Meteorology (MoWRAM), in charge of water resources management (abstraction permits notably);
- Ministry of Environment (MoE), in charge of discharge management and water quality monitoring in receiving watercourses;

- Ministry of Health (MoH), in charge of establishing and following-up potable water and wastewater quality standards.

With development partner support, urban water supply services have been significantly improved in the past three years. All PWWs are recording profits from their operations while providing improved quality of services. Recently completed water treatment plants funded by the Japan International Cooperation Agency (JICA) and the Government of Japan (GOJ), and ADB's on-going Urban Water Supply Project (UWSP) are further improving and expanding the PWW facilities and strengthening their management and financial capacity. The sanitation subsector has also made positive steps forward in recent years, with separated or combined wastewater systems operating in Sihanoukville, Siem Reap and Battambang old town centre. Overall however the wastewater sector is in the early stages of its development: sewerage coverage across Cambodia is very low and is mostly combined with the urban drainage systems, with little or no treatment; few towns have established systems but their sustainability is a significant issue. Septage collection and treatment, where available, is often handled by private firms and the quality of these services, particularly treatment, is typically low. Low service provision and increasing urbanization has resulted in significant levels of pollution in local watercourses. Access to piped systems in the more densely developed central areas of the project towns is less than 30% and as urbanization continues piped collection and treatment for the core city centres will become essential.

2. Rationale

After the ADB-funded UWSP, the present Provincial Water Supply and Sanitation Project will be the second project to improve urban water supply services in provincial towns, while a potential third project could target further investment in the provincial towns and sub provincial towns.

The project is aligned with:

- Phase III of the Government's Rectangular Strategy for Growth, Employment, Equity, and Efficiency (2013), in particular *support to water supply operators and sanitation schemes* (Rectangle 2) and *support to human resources development* (Rectangle 4);
- Cambodia's National Strategic Development Plan (NSDP) for 2014-2018, which key actions for water supply cover (i) the development of a legal framework for urban water supply; (ii) promotion of decentralization and de-concentration; (iii) the transfer of full autonomy for service delivery to all provincial waterworks; (iv) an increase in urban water sector financing; (v) improvement of sector performance and public access to safe, affordable, and sustainable water supplies; and (vi) improvement in the protection of water sources and enforcement of regulations;
- Cambodia's Climate Change Strategic Plan 2014-2023 which promotes renewable energy (especially solar energy), management of wastewater through integrated approach, notably in provincial towns, and modernization of wastewater treatment facilities;
- The action plans of the MIH to facilitate private sector partnerships, strengthen the management of publicly owned waterworks, and integrate urban water supply with urban environmental management;
- MPWT requirements for improved and effective urban sanitation.

Most households in the project areas are eager to be connected to water and sewage systems, however some concern was expressed regarding the cost of connecting to water supply and sanitation. Project policy will thus be to provide sewage connections free, and in respect of water mains, connections to poorer households will be subsidized on PWWs' own finances, ranging from 100% to 30% depending upon the household poverty status. Poorer households headed by single women would apply for the subsidy. Some households will experience an increase in monthly expenditures related to water consumption and sewage tariff. This increase will depend upon their existing sources of domestic and drinking water, but remains anyway below the affordability limit defined as 5% of the monthly income of low-income households.

According to WASH experts from WB, the number of expected jobs in the WASH sector is estimated at 12,000 employees. Because Cambodia has not yet fully tackled the important environmental issues of its urban development (transport; water and sanitation networks, urban planning), strong incentives are needed for the next 5 years. A Professional Master program on Urban Water and Sanitation, based on Cambodian needs and located at Institute of Technology of Cambodia (ITC) will be available to students willing to involve in this sector which is called upon to be a greater area of concern in a country undergoing rapid change through urbanization.

3. Objectives

The Project will provide an improved urban environment for the residents of the provincial towns Battambang, Kampong Cham, Siem Reap and Sihanoukville, contributing to the Government's 2025 targets for water supply and sanitation and the financial autonomy of the PWWs, in line with the National Strategic Development Plan 2014-2018.

The objectives are to expand water supply and wastewater systems with effective treatment plants and operations, improve septage management, accelerate sector reform and improve the financial and operational performance of the services.

4. Description of the Action and of the related activities

Project activities encompass civil works, supply of goods and consultant services, divided into three main Components as follows:

Component 1: Water supply subprojects (to cover demand at the 2025 horizon)

This Component will be entirely financed under the loans provided by AFD and ADB. The following activities are planned to be included in this Component:

In Battambang: construction of intake, raw water pumping station and transmission main, water treatment plant (50,000 m³/d), treated water storage and pumping station, as well as new distributions mains (approximately 120 km to expand the coverage area from the present 3,991 ha to around 11,636 ha).

In Kampong Cham: construction of intake, raw water pumping station and transmission main, water treatment plant (11,600 m³/d), treated water storage and pumping station, as well as new distributions mains (approximately 80 km to expand the coverage area from the present 2,297 ha to around 3,489 ha).

All civil works will be procured through two separate Design & Build contracts (one for each town, both covering the treatment facility as well as the distribution network), awarded after International Competitive Bidding (ICB).

New laboratory equipment will be provided in both towns to improve monitoring and water quality.

A subsidized connection policy mirroring the proven PPWSA approach will assist connection by the poor and disadvantaged HHs. Social tariffs for poor households will be set up by PWWs (this will be a loan covenant, similar to the one already in place under ADB's ongoing *Urban Water Supply Project*). Such policy will include connection subsidy, special water tariff, and the possibility to pay in instalments.

Component 2: Sanitation subprojects

This Component will be mostly financed under the loans provided by AFD and ADB. The AIF contribution shall be earmarked to two specific activities falling under this Component. The following activities are planned to be included in this Component:

In Siem Reap: replacement of the existing 3.7 km long, 700 mm diameter trunk sewer in the central area, which is now both hydraulically and structurally inadequate. A new 1,000 mm diameter sewer will be constructed, using trenchless technology to limit disturbance to business and tourism activities in the town. Extension of the existing laboratory at the Waste Water Treatment Plant (WWTP) site is also planned.

In Kampong Cham: as this town currently has no sewerage network, project activities will focus on the construction of a septage treatment facility (two primary lagoons totalling an estimated 2,400 m³, sized to hold around one year's sludge at the 2040 design horizon). This will be the town's first step towards establishing formal sanitation services and management.

In Sihanoukville: upgrade of the existing 6,900 m³/d WWTP lagoons up to a maximum of 20,500 m³/d through aeration, including co-treatment of septage in the upstream anaerobic lagoons, network extension through creation of 5 new service areas with associated pumping stations, pumping mains, trunk sewers (around 32.1 km), collection pipelines, and around 8295 free households connections.

In Battambang: decommissioning of the existing inadequate 5.8 ha WWTP lagoon site, construction on the same site of a smaller, more energy-efficient WWTP (11,645 m³/day) including co-treatment of septage in the upstream anaerobic lagoons, separation of the existing combined sewer system in central area, construction of a new sewerage network comprising pumping stations (two in town, one at the WWTP site), pumping mains and trunk sewers (around 15.4 km), collection pipelines and around 8400 free household connections.

For Sihanoukville and Battambang sewerage networks, the plan is to have street collection pipelines laid along both sides of each street to enable easy connection of both current and future properties. Infrastructures are intended to accommodate wastewater generated from the services areas at the 2040 horizon.

All sanitation subprojects include procurement of water quality testing and septage equipment for DPWT staff (vacuum trucks, compact excavators, portable sludge pumps, sludge dewatering containers).

The activities intended to be financed by the EU investment grant (IG) and implemented by the Beneficiary are (i) the free sewerage connections in Sihanoukville and Battambang and (ii) the procurement of solar mixers for Sihanoukville WWTP, the only WWTP which process can accommodate such aerators.

A dedicated Design & Build contract will be launched through ICB for the replacement of Siem Reap main interceptor sewer. Treatment facilities in Sihanoukville, Battambang and Kampong Cham will be procured through a single Design & Build contract awarded after ICB with prequalification, whereas sewerage networks in Sihanoukville and Battambang will undergo detailed design by the consultant followed by a single, traditional international competitive bidding (ICB) admeasurement contract. Septage equipment will be procured through one single package for all towns, after National Competitive Bidding (NCB).

Procurement of the solar mixers for Sihanoukville WWTP will be included as part of the Design and Build contract for the treatment facilities in Sihanoukville, Battambang and Kampong Cham. Likewise the free sewerage connections will be included in the admeasurement contract, as part of the network extension works.

Component 3: Project Management and Technical Assistance

Project implementation support services: assistance will be provided to the PMUs in technical review for the design, build and installation subprojects, and construction monitoring and commissioning. The project should also support safeguards implementation and monitoring, gender and community social development, accounting and financial management, procurement, and disbursement.

On-the-job training is planned for MIH, MPWT and PWW, PWU staff in project management and implementation of urban water supply and sanitation projects and Operating & Maintenance (with the assistance of project contractors and suppliers for the scheduling and implementations of routine O&M activities).

These services will be provided by two Project Implementation Assistance Consultants (PIAC, one for water supply, one for sanitation) financed under the loan provided by AFD and ADB following ADB's procurement guidelines, and whose scope of work is planned to cover basic designs (water and wastewater treatment, water distribution), detailed engineering design for sewerage networks, procurement, works supervision, provisional sums for surveys (topographical / geotechnical / septic tanks / social / environmental), plus training and workshops for implementation and project management support.

Capacity Development Programme (to be implemented by the Beneficiary): it is also planned to support (i) MIH/PWWs to facilitate project implementation and improve water utility performance and service provision; (ii) MPWT to establish septage management services and enhance existing sewerage and wastewater services, through improving financial and technical operations; (iii) provincial wastewater units (PWUs) to improve utility management and business planning. More particularly:

- the MIH (GDPWS) and PWWs will be assisted in:
 - (i) obtaining inter-ministerial consensus on a joint management of the Sangké River for the Battambang water supply sub-project (hydrological and facilitator inputs), to culminate in the signing of a Memorandum of Understanding between all stakeholders (water supply, irrigation, energy);
 - (ii) updating the zoning of Battambang's and Kampong Cham's water supply networks, so that the current District Metering Areas also cover network extensions planned as part of the project (hydraulic and Non-Revenue Water inputs).
- the MPWT (GDPW) will be assisted in:
 - (i) developing comprehensive policies and technical directions in support of the development of septage management services by addressing five interrelated steps of the value chain, from containment through to desludging, transport, treatment, and reuse;
 - (ii) formulating policies and technical guidance in support of improving community benefits of centralized wastewater management through effective financial and technical operations of provincial service utilities;
 - (iii) conceptual development and implementation support for the preparation of structured 'performance improvement plans' (PIPs) for provincial utilities;
 - (iv) awareness raising at provincial leadership level and community behaviour change communication activities for increasing the acceptance and utilization of wastewater management related infrastructure;
 - (v) elaborating a communication strategy, concept and materials to inform the public on the costs of sanitation and water supply services, to be used by provincial utilities (applies to MIH also).
- Provincial wastewater units (PWUs) will be assisted in:
 - (i) awareness raising activities for provincial decision makers, and support for the preparation and implementations of behaviour change communication (BCC)

4

PS

activities on sanitation and hygiene education (understanding of septic tanks and the need for maintenance) at community level, which comprises ‘training of trainers’ sessions, training of ‘community mobilizers’, and support during BCC implementations at village and household level within the service areas, including private vacuum truck operators;

- (ii) establishing PIPs for a planning period of 3–5 years with emphasis on improving medium term efficiency of service delivery and financial and operational sustainability. Such PIPs constitute a comprehensive utility plan addressing three interrelated components, comprising: (a) current service delivery conditions and mid-term service delivery targets, (b) identification of immediate government support required for enhancing the regulatory and institutional environment of the service utilities, and (c) a utility action plan outlining capacity building needs for the following five key competencies: utility management and administration, human resources development, asset management and operations, community outreach and customer management, and revenue management. For Kampong Cham PWU, such activities will focus on septage management.

These services will be provided by a Capacity Development Consultant selected following AFD’s procurement procedures and financed under the TA component of the proposed AIF contribution.

Communities involvement being key to project sustainability, public meetings and focus group discussions with all affected households and businesses will be convened by Implementing Agencies and the Consultant (refer also to Schedule 9 – (*Communication and Visibility Plan*)). These consultations will address each stakeholder’s interest in the project as well as their perceived problems, to identify concerns and issues requiring mitigation. This will include communication on the project’s connection policies for water supply and wastewater and how to apply for assistance and subsidy.

Support to university and students: the ITC will be supported in preparing a MSc. in water and wastewater engineering designed to provide suitably qualified graduates to ministries, provincial departments or the private sector, starting in 2018-2019. Those students who commit to work for MIH or MPWT after graduation will also be supported via scholarships, to be implemented in two batches (sessions 2018-2019 and 2019-2020). Half of ITC students would also be supported to complete their internship and Master’s Thesis abroad, which can be a strong incentive to attract students.

The Master program should be linked to existing masters with common courses, and would consist in:

- a one-year M2 for students having already completed ITC’s engineering degree, in particular students coming from the Rural Engineering or the Food and Chemical Engineering departments;
- a two-years M2 for external students – with all prerequisites acquired during the first year.

The detailed syllabus of this MSc. (including prerequisites and objectives) will derive from typical job description forms elaborated during a seminar gathering all stakeholders of the water supply and sanitation sectors, in order to ensure that the cursus effectively addresses the needs of the civil society. Generally however, courses will focus on technical aspects (hydraulics, process – chemical, biological – engineering) as well as institutional (sectoral knowledge) and managerial (utility business) aspects. Some of these courses are planned to be developed during the next school year (2017-2018) through an existing partnership between ITC and a French university (UPPA).

AIF contribution (TA component) will cover activities such as capacity building to ITC teaching staff (training of teachers, visiting professors), ITC officer (in charge of day-to-day management of the MSc.), scholarships, procurement of equipment (treatment pilot scale, flow and quality measurement, etc.) field visits and research projects in the field of water supply / sanitation based on proposals from lecturers.

5. Expected results and indicators

Expected Results					
Indicator	Units	Baseline value (X)	Expected value after the project (Y)	Expected result (=Y-X)	Comments and reference to methodology used, where necessary
		2017	2023		
Standard Outputs					
Length of new or rehabilitated water supply pipes	km	0	200	200	Raw water transmission mains excluded (9 km)
Length of new or rehabilitated sewer pipes installed	km	0	51,2	51,2	
Water treatment capacity	m ³ /day	0	61 600	61 600	New water treatment plants
Wastewater treatment capacity	m ³ /day	7 350	32 145	24 795	New and improved wastewater treatment plants
Standard Outcomes					
Population benefitting from safe drinking water	Nr of households	0	42 636	42 636	Households in extended service areas
Population benefitting from improved sanitation services	Nr of households	0	16 695	16 695	Excludes business connections and households benefitting from improved septage management
Potable Water Produced	m ³ /day	0	61 600	61 600	New water treatment plants
Wastewater Treated	Population equivalent "p.e."	16 570	122 303	105 733	Capacity designed for population within service area in 2040. Population projections based on 2013 census and <i>local</i> population growth based on 2009-2013 average. Kampong Cham septage accounted for based on total projected 2040 population and assumed septic tank coverage of 30%.
Project specific indicators					
Population reached by BCC activities	#	0	25 000	25 000	Estimate only at this stage
Cross sector indicators					
Total number of beneficiaries	#	10 132	300 194	290 062	Baseline = population in Battambang and Sihanoukville already serviced by current WWTP capacity. After project = addition of sanitation (91 139) <i>and</i> water supply (209 055) beneficiaries as water supply extension areas lie <i>beyond</i> sanitation coverage areas. Siem Reap trunk sewer rehab. not accounted for.
Number of beneficiaries living below the poverty line	#	848	73 832	72 984	Figures derived from % of poor HHs (defined as IDPoor card holders, category 1 & 2) from socio-economic survey carried out in project areas

Greenhouse gas emissions impact	<i>CO2 ktons eq/yr</i>	1,64	28,95	27,31	Baseline scenario = without project (existing WWTP capacity only) Accounted for: (i) electricity consumption for water production & distribution and wastewater treatment, (ii) CH ₄ & N ₂ O emissions from domestic wastewater treatment
Direct employment: Construction phase	<i># (FTE)</i>	0	TBD	TBD	The number of full-time equivalent construction workers employed by future contractors will be monitored by the PIAC
Direct employment: Operations and maintenance	<i># (FTE)</i>	0	TBD	TBD	The number of full-time staff employed at provincial level (PWWs / DPWTs) and central level (GDPWS / GDPW) will be monitored by the PIAC.
60 scholarship placements for new water supply and sanitation master's program at selected university	<i>#</i>	0	60	60	
Expected Impact					
<ul style="list-style-type: none"> - Greater access to safe piped water supply will result in improved health conditions and, for some households, in lower water-related expenditures; - Wastewater collection networks in Battambang and Sihanoukville will improve the sanitary conditions and the living environment of urban populations; this is particularly important for Siem Reap whose attractiveness will improve with the replacement of the main trunk sewer, as the city relies essentially on tourism; - Wastewater treatment (off- and on-site sanitation) will reduce pollution loads discharged in the environment and thus participate to water resources protection; - Communication and awareness raising towards hygiene and septic tank maintenance will improve public health, which will contribute to poverty reduction and economic development; - Infrastructure development will foster businesses setting-up, investment and economic development; - The empowerment of Executing and Implementing Agencies will provide numerous opportunities for sustainable jobs, both during project implementation and operation of the facilities; - The project will promote gender equality through pro-poor connection policy (female-headed households represent a large portion of poor households), employment targets with equal pay (with civil contractors and PMUs/PIUs), participatory approach and sex-disaggregated monitoring. 					

Additionality

The IG component of the AIF contribution was sized according to the price of sewerage connections observed in Cambodia (approximately 100 USD/connection) and the expected cost of high-quality solar aerators, based on supplier's quotation (75 000 USD/mixer).

The inclusion of the AIF contribution was found necessary to limit indebtedness of the partner country, particularly given that the loan will be fully on-granted by MEF to all provincial utilities. On-lending was initially considered for the PWWs for water supply subprojects, but early financial analysis indicated that the impact on water tariffs would be too high, if capital costs were included. Thus on-granting was agreed with MEF to enable the PWWs to become financially independent with full-cost recovery after the project.

Most of the grant, however, is earmarked to support to wastewater / septage management, in an effort to advocate for integration of the sanitation sector in the political agenda and formally mainstream sanitation development across the country. Without increased support for sanitation under the grant, progress against government targets will be severely hindered and PWUs could not move towards the ultimate goal of financial independence. Unlike for water supply, where there is high demand from households for water connections and they are prepared to pay for this, it is not the case for household

sewer connections. Previous experience in Cambodia has shown that households are reluctant to pay for sewer connections, leaving (i) the environment not significantly improved, and (ii) the expensive sewer systems working under capacity and with insufficient income for sustainability. The grant will ensure that connections will be constructed (especially for the poor) and sustainability is assured, provided that the PWUs are vigilant in collecting sewerage fees.

A Professional Master program on Urban Water and Sanitation located at ITC (where a program has financial autonomy with 20 equivalent students fees / year), is likely to be sustainable after 2 or 3 years of operation. The offer on the labour market, to meet an expected growing demand, will improve via support to the ITC, an institution that has developed a policy of Master program and dedicates 40% of its budget to scholarships, notably for its students from the provinces.

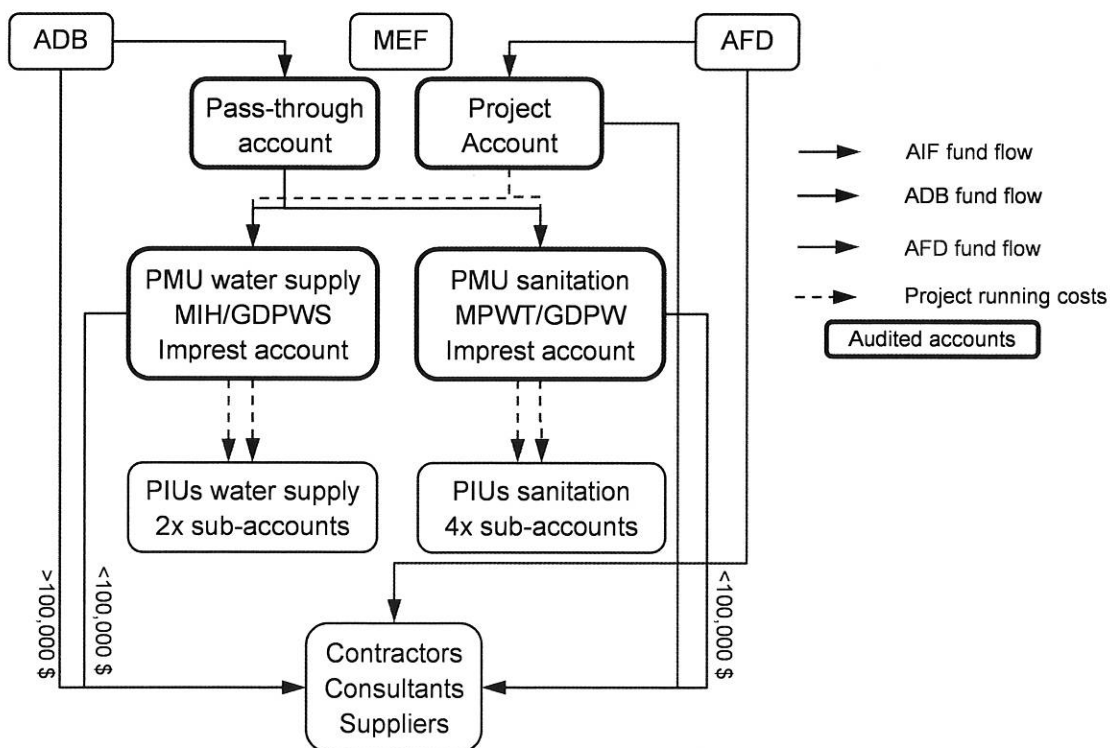
Leverage amounts indicatively to 23.17 (=108,209,000/4,670,000)

6. Location

The project will extend the coverage and improve performance of water and sanitation services in four of Cambodia's largest provincial towns: Battambang, Kampong Cham; Siem Reap and Sihanoukville

7. Implementation

AFD and ADB will jointly co-finance project activities. It is planned that the funds be pooled together at an approximate 50/50 ratio. The estimated investment period is 5 years, and the estimated repayment period will be 20 and 32 years for AFD and ADB, respectively. For the activities financed under the loan, procurement and payments will be delegated by AFD to ADB.



The Executing Agencies (EAs) and grant beneficiaries of the AIF contribution (IG and TA components) will be MIH for the water supply subprojects and MPWT for the wastewater/septage and

Siem Reap interceptor sewer subprojects. Project Management Units (PMUs) will be established in the relevant department of each ministry (GDPWS within MIH and GDPW within MPWT), with full-time staff to execute and manage the Project. MIH will have responsibility for the coordination and consolidation of reports to the MEF and FIs. Both EAs will prepare and implement their respective project activities.

Project Implementation Units (PIUs) will be established in the PWWs at Battambang and Kampong Cham, and in the DPWTs at Battambang, Kampong Cham, Sihanoukville and Siem Reap, with responsibility for daily oversight and supervision of subproject implementation.

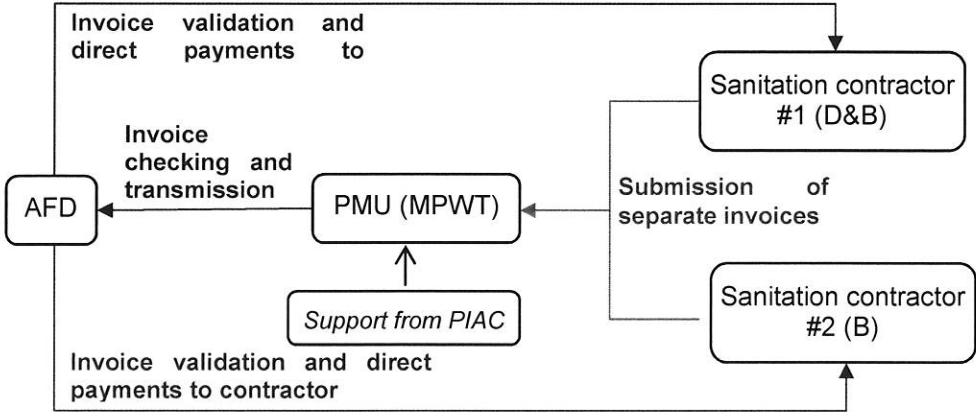
MIH and MPWT will each recruit a Project Implementation Assistance Consultant (PIAC) to assist their respective PMU and PIUs.

The ITC, a Cambodian Higher Education Institution which was founded in 1964, will be the third grant beneficiary of the AIF contribution (TA component only).

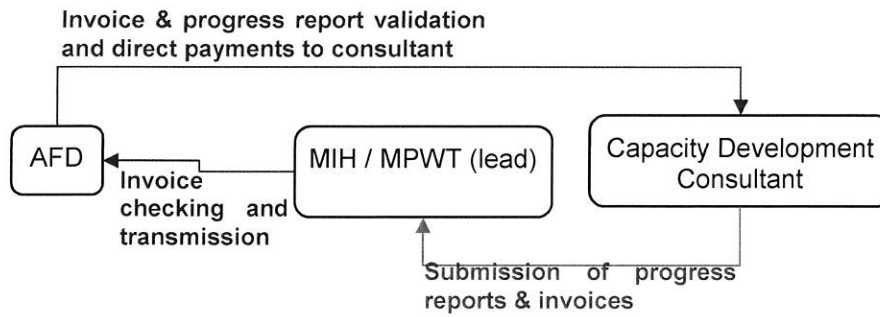
The IG and TA components of the AIF contribution will be earmarked to finance dedicated project components (free sewerage programme, procurement of solar mixers, Capacity Development Programme and support to ITC). For these activities, EAs will manage the procurement process (with AFD's no-objection at each procurement stage), but payments will remain AFD's sole responsibility. The AIF contribution will be kept in a separate account, managed by AFD, where they will not be pooled with other funds.

Disbursements shall be made following AFD's procedure as assessed by the EU in AFD's 7 pillars assessment and organised as follows:

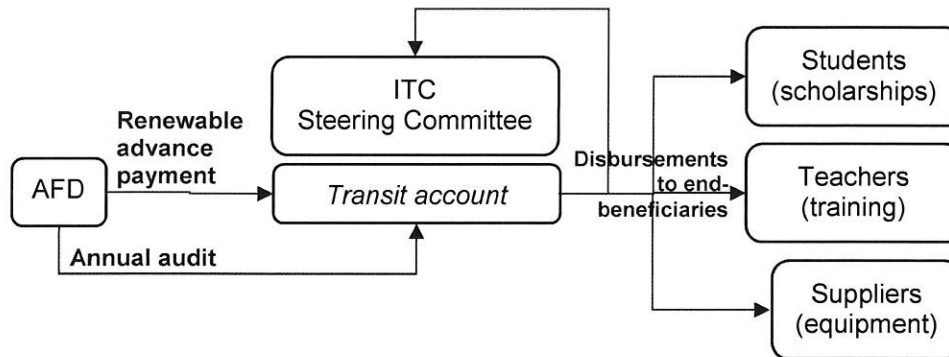
For Components 1 and 2: recruitment (based on ADB's procurement guidelines and in line with AFD's procurement procedures) and contract management will be the responsibility of the water supply / sanitation PMUs. As items financed under the IG component of the AIF contribution are being part of larger contracts (see §4, Component 2), separate invoices will be submitted on an ad-hoc basis, and checked by the sanitation PMU and the PIAC before transmission to AFD. A direct payment modality is being envisaged for these activities:



For the Capacity Development Programme (Component 3), Executing Agencies (MIH and MPWT) will be responsible for the recruitment of the consultant (using AFD's procurement guidelines), contract management and progress reporting to AFD. A direct payment modality is being envisaged for this activity:



The organizational set-up for the support to ITC (Component 3) is different due to the number of beneficiaries (students, suppliers) and the variety of expenses (scholarships, air tickets, field trips, equipment, etc.). A Steering Committee will be established and will comprise technical and administrative representatives of ITC responsible for grant management, progress follow-up and reporting to AFD. In particular, the Steering Committee will define eligible expenditures and budget for the following semester, with AFD's no-objection. A renewable advance payment modality is being considered for these activities and will therefore require ITC to open a USD transit account with a bank which will have received prior approval from AFD:



8. Duration and indicative implementation schedule

The overall implementation period is 5 years, including a 12 months Defect Liability Period for all construction contracts.

Ref	Activity	2017				2018				2019				2020				2021				2022					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
1	Loan Approval				▼																						
2	Loan effectiveness																										
3	Output 1: Improved piped water supply																										
3.1	Intakes, raw water WTPs, and water supply networks by D/B – bidding documents approval																										
3.2	Bidding, evaluation and contract award																										
3.3	Detailed engineering design																										
3.4	Safeguard approval																										
3.5	Civil works and equipment installation																										
3.6	Commissioning																										
3.7	Defects liability period																										
4	Output 2: Improved sanitation																										
4.1	Siem Reap sewer replacement by D/B— bidding documents approval																										
4.1.1	Bidding, evaluation and contract award																										
	Detailed engineering design																										
4.1.2	Safeguard approval																										

Ref	Activity	2017				2018				2019				2020				2021				2022				
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
4.1.3	Civil works and construction by trenchless technology																									
4.1.4	Commissioning																									
4.1.5	Defects liability period																									
4.2	WWTPs and septage facilities by D/B – bidding documents approval																									
4.2.1	Bidding, evaluation and contract award																									
4.2.2	Detailed engineering design																									
4.2.3	Safeguard approval																									
4.2.4	Civil works and equipment installation																									
4.2.5	Commissioning																									
4.2.6	Defects liability period																									
4.3	Wastewater networks – detailed engineering design																									
4.3.1	Bidding documents approval																									
4.3.2	Safeguard approval																									
4.3.3	Bidding, evaluation and contract award																									
4.3.4	Civil works and construction																									
4.3.5	Commissioning																									
4.3.6	Defects liability period																									
5	Output 3: Improved institutional effectiveness																									
5.1	Recruitment of PIAC consultant																									
5.2	Consultancy project support																									

Ref	Activity	2017				2018				2019				2020				2021				2022			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
5.3	Recruitment/appointment of PIAC gender specialists and PMU/PIU focal persons & advisory services																								
5.4	Gender awareness/training on GAP implementation and monitoring																								
5.5	Scholarships water supply, waste water engineering; Curriculum development, accreditation																								
5.6	Scholarships, 60, 30 per year Forty English language training placements Appoint training institute, determine eligibility etc. 40 persons equally to WS, WW - 10 each per year																								
5.7	Gender staff targets for GDPWS/PWW, GDPW/DPWT																								
5.8	Employment targets for women - civil works contracts																								
5.9	Six-monthly gender monitoring and reporting																								
6	Communication Strategy Key Activities																								
6.1	World Bank web based																								

9. Monitoring, Evaluation and Audit

Upon project start-up: a meeting will be held between EU Delegation, grant beneficiaries (EAs and ITC) and AFD for the presentation of the project roadmap, definition of the extent of the involvement of EU representatives, and set-up of a project review group, as found necessary, to ensure full ownership by the EU Delegation.

During project implementation:

Supervision / evaluation missions will be organized on a yearly basis between EU Delegation and AFD and will endeavour to connect the project with other EU-funded actions in decentralization. They will be completed with follow-up missions by AFD Phnom Penh agency and HQ.

AFD will submit yearly progress reports to EU Delegation / HQ and ad-hoc meetings will be held between EU Delegation / HQ and AFD as need be. Progress reports will entail summary of technical progress, encountered problems and recommended mitigation measures, monitoring of project indicators, disbursements tracking, grant management, budget planning for the following semester.

Annual audits will be carried out for (i) the bank account opened by ITC, (ii) all project accounts opened by the EAs for the proceeds of the loan. EU Delegation / HQ will receive the reports of these audits in so far as they relate to components financed by the AIF contribution. Only audits for the AIF contribution to ITC will be paid by the AIF contribution.

10. Communication and Visibility

See Schedule 9 - (*Communication and Visibility Plan*) which is based on official EU directives.

AFD together with grant beneficiaries will guarantee visibility of the AIF contribution at all stages, and in particular on equipment procured on the grant, and during implementation of awareness raising / behaviour change communication activities, also financed on the grant and centred on sanitation services, at both provincial decision makers' and community / households levels.

Schedule 3 - Financing Plan

PART I - FINANCING PLAN

<i>In EUR</i>	EU contribution Investment grant	EU Contribution Technical Assistance
Component 2: Sanitation Projects		
Battambang – Free sewerage connections	847,000	
Sihanoukville – Free sewerage connections and solar mixers	1,743,000	
Component 3: Project Management and Technical Assistance		
Capacity Development Programme		570,000
Communication and visibility		420,000

PART II - ELIGIBLE EXPENSES

Eligible Expenses are related to the implementation of Components 2 and 3 as per the Financing Plan provided in Schedule 3 - (*Financing Plan*) Part I and description provided in Schedule 2 - (*Project Description*).

The eligible direct costs are costs that meet all following criteria:

- a. They are necessary for carrying out the project, directly attributable to it, arising as a direct consequence of its implementation and charged in proportion to the actual use;
- b. They are incurred in accordance with the provisions of this Agreement;
- c. They are actually incurred by the Beneficiary, i.e. they represent real expenditure definitely and genuinely borne by the Beneficiary;
- d. They are reasonable, justified, comply with the principles of sound financial management and are in line with the usual practices of the Beneficiary regardless of their source of funding;
- e. They are incurred during the Implementation Period with the exception of costs related to final report, final evaluation, audit and other costs linked to the closure of the project which may be incurred after the Implementation Period;
- f. They are identifiable and backed by supporting documents, in particular determined and recorded in accordance with the accounting practices of the Agency;
- g. They are covered by one of the sub-headings indicated in the estimated budget in the Part I of the Schedule 3 – (*Financing Plan*) and by the activities described in Schedule 2- (*Project Description*);

h. They comply with the applicable tax and social legislation taking into accounts the Beneficiary's privileges and immunities.

PART III - NON-ELIGIBLE EXPENSES

All tax expenses to be incurred under the Project's implementation, such as value added tax, import tax and withholding tax, are not Eligible Expenditures and will be fully covered by the Beneficiary's own budget.

Project's running costs, such as salaries or office and vehicles running costs incurred for the purpose of implementing the Project are not Eligible Expenditures.

The following costs are ineligible for Union financing:

- a. Bonuses, provisions, reserves or non-remuneration related costs. Employers' contributions to pension or other insurances funds run by the Beneficiary may only be eligible to the extent they do not exceed the actual payments made by these schemes and that the amount provisioned does not exceed the contribution that could have been made to an external fund;
- b. Full-purchase cost of equipment and assets unless, for EU External Actions and common foreign and security policy for the European Union (CFSP), the asset or equipment is specifically purchased for the project and ownership is transferred in accordance with EU principles;
- c. Duties, taxes and charges, including VAT;
- d. Return of capital;
- e. Debts and debt service charge;
- f. Provision for losses, debts or potential future liabilities;
- g. Banking charges for the transfers from the Contractor;
- h. Cost incurred during the suspensions of the implementation of the Agreement except the minimum cost agreed;
- i. Cost declared by the Beneficiary under another agreement financed by the European Union budget (including through the European Development Fund);
- j. Contributions in kind. The cost of staff assigned to the project and actually incurred by the Beneficiary is not a contribution in kind and may be declared as direct eligible cost if it complies with the conditions mentioned above;
- k. Cost of purchase land or buildings.

Schedule 4 - Conditions Precedent

The following applies to all documents delivered by the Beneficiary as a condition precedent:

- if the document which is delivered is not an original but a photocopy, the original Certified photocopy shall be delivered to the Agency;
- the final version of a document which draft was previously sent to, and agreed upon by the Agency, shall not materially differ from the agreed draft;
- documents not previously sent and agreed upon, shall be satisfactory to the Agency.

PART I – CONDITIONS PRECEDENT TO BE SATISFIED ON THE SIGNING DATE

Delivery by the Beneficiary to the Agency of a Certified copy of the relevant decisions required pursuant to the legislation of the jurisdiction of the Beneficiary approving the terms of this Agreement and its execution and authorising a specified person or persons to execute this Agreement on its behalf.

PART II - CONDITIONS PRECEDENT TO THE FIRST DRAWDOWN

Delivery by the Beneficiary to the Agency of the following documents:

- 1) Evidence of any filing or registration, submission or publication requirements of this Agreement and payment of any stamp duty, registration fees or similar duties in connection with this Agreement, as applicable.
- 2) A certificate issued by a duly authorised representative of the Beneficiary listing the person(s) authorised to sign, on behalf of the Beneficiary, this Agreement, the Drawdown requests and any certificate in connection with this Agreement and to take all other measures and/or sign all other necessary documents on behalf of the Beneficiary under this Agreement together with a specimen of the signature of each person listed in the certificate mentioned herein.

PART III - CONDITIONS PRECEDENT FOR ALL DRAWDOWNS INCLUDING THE FIRST DRAWDOWN

Delivery by the Beneficiary to the Agency of the instructions (in particular the account information of the relevant contractor) required for the transfer of the Drawdowns directly to the third party contractor, as requested, and:

- 1) all contracts and order forms together with any plans and quotes (if applicable) previously provided to the Agency in accordance with, and as defined in, the Agency's and/or ADB's Procurement Guidelines, in connection with the Drawdown requested to be paid directly; and
- 2) any reports, invoices or interim payment requests, in form and substance satisfactory to the Agency, which may be delivered in the form of Certified photocopies or duplicates.

Schedule 5 - Environmental and Social Commitment Plan

AFD's requirements regarding environmental and social risks management including reference standards can be found at:

- <http://www.afd.fr/lang/en/home/AFD/developpement-durable/DD-et-operations/maitrise-risques> (EN)
- <http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/EXTPOLICIES/EXTOPMANUAL/0,,contentMDK:20403235~menuPK:4564185~pagePK:64709096~piPK:64709108~theSitePK:502184,00.html> (**World Bank Group Operational Policies regarding Environment and Social safeguards**)
- http://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+sustainability/our+approach/risk+management/ehsguidelines_ (**World Bank Group Environmental, Health, and Safety – EHS - Guidelines**)

The measures and actions to be put in place and followed-up by the Beneficiary according to Clause 6.9 (*Environmental and social responsibility*), as well as the corresponding budget provisions, resources and responsibilities, deadlines and achievement indicators, are detailed in the following documents. These documents were produced by the Project Preparatory Technical Assistance under the Project and according to ADB's environmental and social standards, in compliance with AFD's requirements regarding environmental and social risks management:

- Gender Action Plan (November 2017, as amended from time to time);
- Resettlement Framework (July 2017, as amended from time to time);
- Battambang Water Supply Subproject Resettlement Plan (October 2017, as amended from time to time);
- Battambang Wastewater and Sanitation Subproject Resettlement Plan (October 2017, as amended from time to time);
- Water Supply Subprojects Initial Environmental Examination (June 2017, as amended from time to time);
- Wastewater and Sanitation Subprojects Initial Environmental Examination (June 2017, as amended from time to time).

Schedule 6 - Form of Impact Indicators Report

Indicator	Units	Baseline value (X)	Expected value after the project (Y)	Expected result (=Y-X)	Comments and reference to methodology used, where necessary
		2017	2023		
Standard Outputs					
Length of new or rehabilitated water supply pipes	km	0	200	200	Raw water transmission mains excluded (9 km)
Length of new or rehabilitated sewer pipes installed	km	0	51,2	51,2	
Water treatment capacity	m ³ /day	0	61 600	61 600	New water treatment plants
Wastewater treatment capacity	m ³ /day	7 350	32 145	24 795	New and improved wastewater treatment plants
Standard Outcomes					
Population benefitting from safe drinking water	Nr of households	0	42 636	42 636	Households in extended service areas
Population benefitting from improved sanitation services	Nr of households	0	16 695	16 695	Excludes business connections and households benefitting from improved septage management
Potable Water Produced	m ³ /day	0	61 600	61 600	New water treatment plants
Wastewater Treated	Population equivalent "p.e."	16 570	122 303	105 733	Capacity designed for population within service area in 2040. Population projections based on 2013 census and <i>local</i> population growth based on 2009-2013 average. Kampong Cham septage accounted for based on total projected 2040 population and assumed septic tank coverage of 30%.
Project specific indicators					
Population reached by BCC activities	#	0	25 000	25 000	Estimate only at this stage
Cross sector indicators					
Total number of beneficiaries	#	10 132	300 194	290 062	Baseline = population in Battambang and Sihanoukville already serviced by current WWTP capacity. After project = addition of sanitation (91 139) <i>and</i> water supply (209 055) beneficiaries as water supply extension areas lie <i>beyond</i> sanitation coverage areas. Siem Reap trunk sewer rehab. not accounted for.
Number of beneficiaries living below the poverty line	#	848	73 832	72 984	Figures derived from % of poor HHs (defined as IDPoor card holders, category 1 & 2) from socio-economic survey carried out in project areas
Greenhouse gas emissions impact	CO ₂ ktons eq/yr	1,64	28,95	27,31	Baseline scenario = without project (existing WWTP capacity)

					only) Accounted for: (i) electricity consumption for water production & distribution and wastewater treatment, (ii) CH ₄ & N ₂ O emissions from domestic wastewater treatment
Direct employment: Construction phase	# (FTE)	0	TBD	TBD	The number of full-time equivalent construction workers employed by future contractors will be monitored by the PIAC
Direct employment: Operations and maintenance	# (FTE)	0	TBD	TBD	The number of full-time staff employed at provincial level (PWWs / DPWTs) and central level (GDPWS / GDPW) will be monitored by the PIAC.

Schedule 7 - Information that may be published on the French Government Website and the Lender's Website

1. Information regarding the Project

- Number and name in AFD's book;
- Description;
- Operating sector;
- Place of implementation;
- Expected starting date;
- Expected Deadline for Implementation of the Project;
- Status of implementation updated on a semi-annual basis;

2. Information regarding the financing of the Project

- Kind of financing (loan, grant, co-financing, delegated funds);
- Principal amount of the Grant;
- Amount of the Grant which has been drawn down (updated as the implementation of the Project is carried out);

3. Other information

- Transaction information notice and/or sheet presenting the transaction attached to this Schedule.

Schedule 8 - List of undertakings applicable to the Beneficiary under the delegation of funds by the European Union

1. Conflict of interests

- 1.1. The Beneficiary shall refrain in accordance with its regulations and rules, from any action which may give rise to a conflict of interests.
- 1.2. There is a conflict of interests when the impartial and objective exercise of the functions of any person implementing the Agreement is compromised.

2. Data protection

The Beneficiary shall ensure appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person.

3. Communication and visibility

- 3.1. The Beneficiary shall implement the communication and visibility plan detailed in Schedule 9 - of this Agreement, as amended by agreement where appropriate.
- 3.2. Unless the Agency or the Commission requests or agrees otherwise, the Beneficiary shall take all appropriate measures to publish the fact that the Project has received funding from the European Union. Information given to the press and to the contractors, as well as related publicity material, official notices, reports and publications shall acknowledge that the Project was carried out "*with funding by the European Union*" and shall display the European Union logo (twelve yellow stars on a blue background) in an appropriate way. Publications by the Beneficiary pertaining to the Project, in whatever form and whatever medium, including the internet, shall carry the following disclaimer: "*This document was produced with the financial assistance of the European Union. The views expressed herein can in no way be taken to reflect the official opinion of the European Union.*" Such measures shall be carried out in accordance with the Communication and Visibility Manual published by the European Commission or with any other guidelines agreed between the European Commission and the Agency.
- 3.3. If during the implementation of the Project, equipment, vehicles or major supplies are purchased using European Union funds, the Beneficiary shall display appropriate acknowledgment on such vehicles, equipment or major supplies, including the display of the European Union logo (twelve yellow stars on a blue background). Where such display could jeopardise the Beneficiary's privileges and immunities or the safety of the Beneficiary's staff, the Beneficiary shall propose appropriate alternative arrangements. The acknowledgment and the European Union logo shall be such a size and prominence as to be clearly visible in a manner that shall not create any confusion regarding the identification of the Project as an activity of the Beneficiary, the ownership of the equipment, vehicles or major supplies by the Beneficiary.
- 3.4. In case the equipment, vehicles or remaining major supplies purchased using European Union funds have not been transferred to the Beneficiary when submitting the final report, the visibility requirements as regards this equipment, vehicles or major supplies (in particular display of the European Union logo) shall continue to apply between the submission of the final report and the end of the Project, if the latter is longer.
- 3.5. Unless otherwise provided for, if disclosure risks threatening the Beneficiary or harming its interests, the Beneficiary agrees that the Commission publishes in any form and medium,

including on its internet sites, the name and address of the Beneficiary, the purpose and amount of the European Union contribution.

- 3.6. The Beneficiary shall ensure that reports, publications, press releases and updates relevant to the Project are communicated to the following addresses [5, Rue Roland Barthes 75598 PARIS Cedex 12] when they are issued.
- 3.7. The Agency and the Beneficiary will consult immediately and strive to remedy any detected shortcoming in implementing the visibility requirements set out in this clause and without prejudice to measures the Agency or the European Union may take in case of substantial breach of an obligation.

4. Ownership, rights to use results and transfer of equipment

Right to use

- 4.1. Notwithstanding the provisions of the first paragraph and subject to article 9.8 (*Confidentiality - Disclosure of information*) of the Agreement, the Beneficiary shall grant, and act to ensure that the third party concerned (contractors) grant the Agency and/or the Commission the right to use free of charge those results referred to in section 4.1 above which are subject to industrial or intellectual property rights.
- 4.2. Where the results mentioned in section 4.2 include pre-existing rights and the Beneficiary cannot warrant the Agency and/or the Commission the right to use such results, the Beneficiary shall inform in writing the Agency and the Commission.

Transfer

- 4.3. The equipment, vehicles and remaining major supplies purchased with the European Union contribution disbursed by the Agency in the framework of the Project shall be transferred to the Beneficiary, at the latest when submitting the final report.
- 4.4. The documentary proof of those transfers shall not be presented with the final reports, but shall be kept for the verification for the duration and along with the documents mentioned in section 5.2 below.
- 4.5. By way of derogation from section 4.4, the equipment, vehicles and remaining major supplies purchased with the European Union contribution disbursed by the Agency in the framework of the Project which continue after the end of the implementation period may be transferred at the end of the Project. The Beneficiary shall inform the Agency on the use of the equipment, vehicles and remaining major supplies in the final report.

5. Accounts and archiving

Accounting

- 5.1. The Beneficiary shall keep accurate and regular records and accounts of the implementation of the Project. The accounting regulations and rules of the Beneficiary shall apply, provided that these regulations and rules conform to internationally accepted standards. Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the regulations and rules of the Beneficiary.

Archiving

- 5.2. For a period of five years from the termination date of the Agreement as set out in article 11.1 (*Entry into Force and Duration*) of the Agreement or up to the date of limitation period of any claim pursuant to the applicable law governing the Agreement and any procurement contract or grant concluded under the Agreement if the latter last longer, the Beneficiary shall keep and make available to the Agency and/or the European Union all relevant financial information in its original form (electronic as the case may be), or in exceptional and duly justified cases, certified copies of original documents related to the Agreement and the Project and to any procurement contract or grant concluded under the Agreement.

6. Access and financial checks

- 6.1. The Beneficiary allows the Agency, the Commission and the European Court of auditors, or any authorised representatives to conduct desk reviews and on-the-spot checks on the use made of European Union contribution (including procedures for the award of procurement contracts and grants) on the basis of supporting accounting documents and any other documents related to the financing of the Project.
- 6.2. The Beneficiary agrees that OLAF may carry out investigations, including on-the-spot checks, in accordance with the provisions laid down by European Union law for the protection of the financial interests of the European Union against fraud, corruption and any other illegal activity and, where applicable, any administrative cooperation arrangements concluded between OLAF and the Beneficiary anti-fraud bodies.
- 6.3. To that end, the Beneficiary shall provide the Agency, officials of the Commission, OLAF and the European Courts of Auditors and their authorised agents, upon request, information and access to any documents and computerised data concerning the technical and financial management of operations financed under the Agreement, as well as grant them access to sites and premises at which such operations are carried out. The Parties shall take all necessary measures to facilitate these checks in accordance with its regulations and rules. The documents and computerised data may include information which the Beneficiary considers confidential in accordance with its own established regulations and rules or as governed by contractual agreement. Such information once provided to the Agency, the Commission, OLAF, the European Courts of Auditors, or any other authorised representatives, shall be treated in accordance with European Union confidentiality rules. Documents must be accessible and filed in a manner permitting checks, the Final Beneficiary being bound to inform the Agency, the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept. Where applicable, the parties may agree to send copies of such documents for a desk review.
- 6.4. In case of the Commission or their authorised agents, if the Beneficiary is an international organisation, verifications shall cover on-the-spot checks and desk-reviews and follow any verification provisions agreed with the Commission. If the Beneficiary is not an international organisation an investigation or audit may be performed.
- 6.5. The Agency and/or the Commission shall inform the Beneficiary of the planned on-the-spot missions by agents appointed by the Commission in due time in order to ensure adequate procedural matters are agreed upon in advance.

7. Ex-post publication of information on contractors

- 7.1. The Beneficiary shall publish, on annual basis, on its internet site, the following information on procurement contracts exceeding fifteen thousand euros (EUR 15.000): title of the contract/project, nature and purpose of the contract/project, name and locality of the

contractor and amount of the contract/project. The term “locality” shall mean the address for legal persons and the region on NUTS 2¹ level, or equivalent, for natural persons. This information shall not be published for scholarships paid to natural persons and other direct support paid to natural persons in most need. This information shall be published with due observance of the requirements of confidentiality security and in particular the protection of personal data.

- 7.2. The Beneficiary shall provide to the Agency and the Commission the address of the internet site where this information can be found and authorises the publication of such address on both the Agency and the Commission’s internet sites.

8. Central exclusion Database

8.1. The Beneficiary informs the Agency if, in relation to the implementation of the Project, it has found that a third party is subject of a judgement which has the force of *res judicata* for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity detrimental to the European Union financial interests. The information shall be transmitted using the ad-hoc template², which shall be sent to the Agency with an indication of the duration of the exclusion, if any, decided on the basis of the judgement which is being notified. If available to the Beneficiary, a copy of the definitive judgement and where available and applicable of the necessary documents establishing the legal existence of the entity concerned shall also be provided. The Agency shall provide this information to the Commission which shall introduce this information in the Central Exclusion Database. The Beneficiary shall inform the Agency when it becomes aware that transmitted needs to be rectified updated or removed. The Beneficiary shall ensure that the entity concerned is informed that its data was transmitted to the Agency and the Commission and may be included in the Central Exclusion Database. These requirements cease upon the end of the implementation period of the Project.

8.2. Without prejudice to the power of the European Commission to exclude an entity from future procurement contracts and grants financed by the EU, the Beneficiary may impose financial penalties on contractors and grant beneficiaries according to its own Regulations and Rules ensuring, where applicable, the right of defence of the contractor or grant beneficiary.

9. Obligations regarding information and reporting

9.1. According to article 7.1 (*Progress report*) of the Agreement, the Beneficiary shall provide the Agency with full information on the implementation of the Project by submitting progress report(s) and a final report in accordance with the provisions below. These reports shall consist of a narrative part and a financial part.

9.2. Every report, whether progress or final, shall provide a complete account of all relevant aspects of the implementation of the Project for the period covered. The report shall describe the implementation of the Project according to the activities envisaged in Schedule 2 (*Description of the Project*) as well as the degree of achievement of its results as measured by corresponding indicators. The report shall be laid out in such a way as to allow monitoring of the objective(s), the means envisaged and employed. The level of detail in any report shall match that of Schedules 2 and 3 of this Agreement.

9.3. The progress report(s) shall directly relate to the Agreement and shall at least include:

¹ Nomenclature of Territorial Units for Statistics, available at: <http://ec.europa.eu/eurostat/ramon> - May 2015

² Annex C8f at DEVCO Companion published at: <http://ec.europa.eu/europeaid/companion>

- a) summary and context of the Project;
- b) actual results: follow up of Project's indicators;
- c) activities carried out during the reporting period;
- d) information on the implementation of the visibility and communication plan and any additional measures taken to identify the European Union as source of financing;
- e) in the case where a leverage effect indicator is included in the delegation agreement, an update of this leverage effect for the entire financings, with respect to the following methodology [*use the calculation rule referred to in the delegation agreement*];
- f) information on the implementation of the visibility and communication plan and any additional measures taken to identify the European Union as source of financing;
- g) information on the implementation costs incurred as well as legal commitments entered into by the Beneficiary during the reporting period;
- h) a summary of controls carried out, and available final audit reports; where errors and weaknesses in systems were identified, analysis of their nature and extent as well as information on corrective measures taken or planned shall also be provided;
- i) work plan for the following period.

9.4. The final report shall include the following points covering the entire period of implementation:

- a) all the information requested in the progress reports;
- b) a summary of the Project's receipts, payments received and of the eligible costs incurred;
- c) in the case where a leverage effect indicator is included in the delegation agreement, an update of this leverage effect for the entire financings, with respect to the following methodology [*use the calculation rule referred to in the delegation agreement*];
- d) the exact link to the webpage where, according to section 7.1 of this Schedule, information on grant beneficiaries and contractors is available;
- e) if relevant, details of transfers of equipment, vehicles, and remaining major supplies mentioned in section 3 (*Communication and visibility*) of this Annex.

Schedule 9 - Communication and visibility plan

Objective

The sanitation component of the project primarily aims at improving utility services (increased treatment capacity, networks expansion and improved septage management) in order to reduce discharge of untreated effluents in the environment and *in fine* to protect water resources. This approach is particularly relevant in terms of adaptation to climate change, as Cambodia is already suffering from prolonged drought periods. At the same time, the wastewater sector in Cambodia still is in the early stages of its development, with very low service coverage, besides mostly combined with the urban drainage systems with little or no treatment.

In this context, the Communication Plan is closely related to a global approach to operational communication towards future users of off- and on-site sanitation services, in order to raise awareness on hygiene, importance and benefits of sanitation, and environment protection. An important and integral element of successful wastewater management (sewerage systems and on-site septage management) indeed lays in effective community engagement through the design and implementations of multi-level awareness building measures at leadership levels, combined with comprehensive Behaviour Change Communication (BCC) activities that will be implemented at community and household level. Communication actions directed to these target groups will thus aim at increasing the acceptance and utilization of wastewater management related infrastructures.

For the impacts to be sustainable, the project must be attractive to all parties with a vested interest: in the septage sector for instance, the increased demand for septic tank desludging fostered by BCC activities will generate additional revenues for private vacuum truck operators, constrained on the other hand by more stringent regulations on desludging (such local regulations are already in place in Siem Reap and Sihanoukville).

Communication activities and methodology

These activities will essentially be carried out with the assistance of the Capacity Development Consultant, at two separate levels:

- At central level (MPWT): concepts will be developed – and endorsed by MPWT – for awareness raising at provincial leadership level and BCC activities, through focus group discussions essentially. These concepts, particularly towards provincial leaders, will also benefit from the advocacy argumentation and campaign developed under an on-going AFD study (*Advocacy for sanitation in Phnom Penh*) that is looking in details at the cost of non-investment – amongst other aspects.
- At provincial level (four DPWTs): based on the concepts developed at central level, the support will focus on the preparation and implementation of awareness raising activities for provincial decision makers and BCC activities on sanitation and hygiene education at community level. This will comprise series of ‘training of trainers’ sessions, training of ‘community mobilizers’ at village and household level within the project service areas, using available advocacy and community engagement tools, methodologies, and skill-profiles for training utility staff and community mobilizers.

The community engagement activities will be periodically supervised and monitored by a national expert. Key activities are as follows:

- Awareness raising activities are specifically designed for advocating the development of wastewater management services at provincial leadership level. These measures include focus group discussions with senior leaders and DPWT management on the objectives and approach of community engagement measures that will be implemented by dedicated wastewater utility staff in close collaboration with trained community mobilizers. For reaching a wide number of community mobilizers, the Capacity Development Programme will support the implementation of ‘training of trainer’ sessions. These trainers will then train and work with

community mobilizers for implementing hygiene education and behaviour change communication at village and household levels.

- Behaviour Change Communication measures will include the following activities:
 - o Promotional Activities: at its outset, the Community Mobilizer (CM) will communicate with community leaders the approach and timeframe for making sure that as many households as possible participate during promotional activities. The CM will then explain the objective, type and process of community activities (community meetings, transect walks, hygiene education, etc.), and the purpose of the development of intended wastewater services. In Sihanoukville and Battambang, a decisive message is about the costs for connecting to the system and the amount of the monthly service charge. At the end of the promotion process, the targeted community will have a good level of understanding about the costs and benefits of the intended infrastructure investment plan and related wastewater services that will be provided by the provincial utility. Overall, the aim is to accelerate households (within the project area) to participate in the scheme by becoming trusted customers for benefitting from newly available wastewater services.
 - o Construction Services: prior and during construction of the facilities the CM will work with the related houses to explain the process of constructions and the specific technical and financial requirements for connecting their premise to the sewer. For communities in Kampong Cham the CM activities will focus on the promotion of improved septage management services that will be provided by the provincial wastewater utility.
 - o Support Services: households that are ready for connecting to a sewer are typically facing technical problems with the installation of internal piping for hooking their septic tank up to the sewer, for which the wastewater utility will support and facilitate households for installing piping from the existing septic tank to the sewer.
 - o Celebrations and Rewards: the CM, in collaboration with the wastewater utility and community leaders, will provide recognition and/or rewards to the households that have successfully connect to the sewer. These can include community celebration events for raising community attention on benefits, but also on regular maintenance requirements for assuring the systems operational reliance and sustainability.

Resources

- A total of 19 man-months of expertise is intended to be allocated to awareness building, which does not include Community Mobilizers' costs (under budget line 'BCC field implementation').
- The total cost of the awareness building / BCC activities amounts to 0.36 M€ (VAT inclusive), which represents 0.4% of the total investment, or 0.8% of investments related to sanitation only.

Visibility of EU-funded actions

AFD will ensure that the visibility of the EU contribution is guaranteed, and is at least equivalent to that given through media to other FIs supporting the project. For instance, the EU flag will be displayed on project vehicles, and whenever a public notice regarding the investments is displayed; whenever possible, display panels with the EU flag and reference to the grant will be displayed during the works and thereafter; BCC activities will ensure that the beneficiary population is aware of the roles of the EU in the action, and more broadly in its other concentration sectors in Cambodia. The EU Delegation / HQ and the AFD will also be invited to any visibility event relating to the Project, including the launching ceremony if any.

Equipment procured thanks to the EU contribution, like the 12 solar mixers for Sihanoukville WWTP, should be clearly identified and should feature prominently the EU flag and the mention "Provided with the support of the EU" in both English and Khmer.

