

INTEGRITY DISCLOSURE

Summary—Integrity Due Diligence Results 51182: National Solar Park Project

Electricite du Cambodge (Executing and Implementing Agency)

1. Electricite du Cambodge (EDC) is a State-Owned Enterprise (SOE) 100% owned by the Kingdom of Cambodia. The Ministry of Mines and Energy (MME) and the Ministry of Economy and Finance are co-owners of EDC, a vertically-integrated power utility. EDC was formed in October 1958 and the company became an autonomous state-owned limited liability company in March 1996 under the Royal Decree #0396/10.¹

Electricite du Cambodge Management

2. EDC's Management are appointed by MME every 5 years. Members of EDC's Management are listed below:

- H.E. Mr. Keo Rottanak (Royal Government of Cambodia [RGC] Delegate in Charge of Managing EDC, who functions as the Managing Director)
- Dr. Praing Chulasa (Deputy Managing Director)
- Mr. Chhung Ung (Deputy Managing Director)
- H.E. Mr. Eng Kunthea (Deputy Managing Director)
- Mr. Keo Virac (Deputy Managing Director)
- Mr. Chun Piseth (Executive Director)
- Ms. Sin Sovanny (Executive Director)
- Mr. Ly Tikhea (Executive Director)
- Mr. Nou Sokhon (Executive Director)
- Mr. Aun Hemrith (Executive Director)
- Mr. Chea Sinhel (Executive Director)
- Mr. Nget Sokhan (Executive Director)
- Mr. Oum Piseth (Executive Director)
- Mr. Loeung Keosela (Executive Director)

3. A search was completed online, and the only adverse news was related to Mr. Eng Kunthea and Mr. Nou Sokhon, as described below.

4. In August 2016, Mr. Eng Kunthea sued an opposition party commune chief candidate in Pursat province (Mr. Khin Samorn) for alleged defamation regarding accusations Mr. Samorn had made about alleged land-grabbing. According to the provincial court document, Mr. Samorn was tried in absentia on 2 March 2017, convicted, and fined 25 million riels (approximately \$6,250). Mr. Samorn denied the allegations and claimed the conviction was politically motivated.² No further news was found on the matter.

5. In early 2000, an alleged scam to steal electricity from EDC was uncovered. The owner and two staff of Chea Rithy Import Export Co., an electrical supply company in Phnom Penh, were jailed on 16 February for allegedly stealing state electricity worth tens of thousands of dollars. A

¹ EDC. 2015 Annual Report. p. 2

² <https://www.cambodiadaily.com/news/cnnp-commune-candidate-convicted-fined-defamation-case-130445/>

number of local businesses were also accused. Police also submitted arrest warrants for two EDC officials, Nou Sokhon, then director of distribution, and Hun Monyroth, then director of electricity sub-stations, following claims by Chea Rithy that the two officials were involved in the scam. According to news reports, the EDC officials appear not to have been arrested; however, Nou Sokhon appeared in court to answer questions from a court investigator.^{3,4} No further news was found on the matter.

6. A search was also completed through Lexis Diligence and Dow Jones Risk & Compliance. Mr. Rottanak, as Managing Director, and the four Deputy Managing Directors are identified as Politically Exposed Persons due to the nature of their position in SOEs. No adverse news was found on any of the above through this search.

Electricite du Cambodge Board

7. EDC is governed by a seven-member Board of Directors with representatives of MME, the Ministry of Economy and Finance, the Council of Ministers, the Ministry of Justice, EDC's employees and the Chamber of Commerce of Cambodia. The Board also includes the RGC Delegate in Charge of Managing EDC, who functions as the Managing Director. EDC's Board of Directors are also appointed by MME, consisting of the following:

- H.E. Mr. Victor Jona (Chairperson)
- H.E. Mr. Keo Rottanak (Member and Managing Director)
- H.E. Mr. Chan Sothy (Member)
- H.E. Mr. Hem Kranh Tony (Member)
- Mr. Hang Touch (Member)
- Mr. Ky Khemlin (Member)
- Ms. Sok Sotheavy (Member)

8. All of EDC's board members are identified as Politically Exposed Persons due to the nature of their position in SOEs. They do not appear to be subjects of any adverse news.

9. In positive news, in April 2013, the International Centre for the Settlement of Investment Disputes, ruled in favor of EDC and the Government of Cambodia in a claim filed by a power company. The case was brought by Cambodia Power Company, a subsidiary of US-based Beacon Hill Associates Inc, which claimed that the Kingdom of Cambodia and EDC had breached agreements signed in 1996 for the financing, construction and operation of an electric power plant in Phnom Penh. The suit claimed damages of \$300 million from the Government of Cambodia and EDC. The International Centre for the Settlement of Investment Disputes rejected the damage claims by Beacon Hill Associates and ordered the claimant to pay the Cambodian government \$5.6 million in legal fees. Lawyers for the Government of Cambodia and EDC explained "The case was over a power plant that was to be built in Cambodia but was not completed due to many delays and the company's inability to secure financing."^{5,6}

10. Also in positive news, on 24 July 2015, EDC signed a memorandum of understanding with the Cambodian Anti-Corruption Unit, pledging to prevent the use of corrupt practices in business

³ <https://www.cambodiadaily.com/news/firms-conspired-in-theft-of-state-electricity-edc-claims-15506/>

⁴ <https://www.cambodiadaily.com/news/bribes-hampered-edc-probes-officials-say-16018/>

⁵ <https://www.businesswire.com/news/home/20130520006617/en/Sciaroni-Associates-Ruling-Endorses-Investment-Cambodia>

⁶ <https://www.cambodiadaily.com/news/arbitration-court-backs-government-in-power-deal-with-us-firm-20675/>

dealings. EDC's agreement will look into purchasing activities and ensure they are lawful in order to increase transparency and improve the investment climate.⁷

⁷ <https://www.phnompenhpost.com/business/eurocham-edc-take-anti-corruption-pledge>

OAI IDD-related Risk Analysis and Review [Desk Review]

Transaction Name Loan (51182-001) Cambodia: National Solar Park Project		<input checked="" type="checkbox"/> New Review <input type="checkbox"/> Previous Review (Date: _____)	
IDD Subject Name Electricité du Cambodge (“EdC”) <i>(Executing and Implementing Agency)</i>		OAI Ref. No. O 2018 00348	Country Cambodia
Industry or Sector or Type of Business Energy		<input checked="" type="checkbox"/> Sovereign <input type="checkbox"/> Non-sovereign <input type="checkbox"/> Others	
OAI Source of Review <input type="checkbox"/> Desk Review information and further research <input checked="" type="checkbox"/> Only Desk Review information		Type of Transaction Loan	
		Date Received by OAI 03 May 2018	
		Date Completed by OAI 08 May 2018	
A. Risk Assessment			
A.1. Material Issues Flagged as per Desk Review		A.2. OAI’s Analysis and Risk Rating	
1. Electricite du Cambodge (EdC) is a State-Owned Enterprise (SOE) 100% owned by the Kingdom of Cambodia. The Ministry of Mines and Energy (MME) and the Ministry of Economy and Finance (MEF) are co-owners of EdC, a vertically-integrated power utility. EdC was formed in October 1958 and the company became an autonomous state-owned limited liability company in March 1996 under the Royal Decree #0396/10. ¹		Analysis No significant issue raised on EdC. <hr style="border-top: 1px dashed black;"/> Risk Rating Low	
2. The members of EdC’s Board of Directors and Management have been flagged as PEPs due to their position in the company which is a SOE. [Accuity] Board of Directors: a. H.E. Mr. Victor Jona (Chairperson) b. H.E. Mr. Keo Rottanak (Managing Director) c. H.E. Mr. Chan Sothy d. H.E. Mr. Hem Kranh Tony e. Mr. Hang Touch f. Mr. Ky Khemlin g. Ms. Sok Sotheavy Management: h. H.E. Mr. Keo Rottanak (Royal Government of Cambodia [RGC] Delegate in Charge of Managing EdC, who functions as the Managing Director) i. Dr. Praing Chulasa (Deputy Managing Director)		Analysis They do not appear to be the subject of adverse news with exception to (see item A.1.3. below) <hr style="border-top: 1px dashed black;"/> Risk Rating Low	

¹ EdC. 2015 Annual Report. p. 2

<ul style="list-style-type: none"> j. Mr. Chhung Ung (Deputy Managing Director) k. H.E. Mr. Eng Kunthea (Deputy Managing Director) l. Mr. Keo Virac (Deputy Managing Director) m. Mr. Chun Piseth (Executive Director) n. Ms. Sin Sovanny (Executive Director) o. Mr. Ly Tikhea (Executive Director) p. Mr. Nou Sokhon (Executive Director) q. Mr. Aun Hemrith (Executive Director) r. Mr. Chea Sinhel (Executive Director) s. Mr. Nget Sokhan (Executive Director) t. Mr. Oum Piseth (Executive Director) u. Mr. Loeung Keosela (Executive Director) 	
<p>3. In April 2000, an alleged scam to steal electricity from EdC was uncovered. The owner and two staff of Chea Rithy Import Export Co, an electrical supply company in Phnom Penh, were jailed for allegedly stealing state electricity worth tens of thousands of dollars. Police have also requested warrants to be issued for the arrest of two EdC officials, Nou Sokhon, who was EdC's director for distribution and Hun Monyroth, then director of electricity substations, following claims by Chea Rithy that the two officials were involved in the scam. But arrest warrants have not been issued by the courts. However, Nou Sokhon did appear in court to answer questions from a court investigator.²</p> <p>No further update was found on the matter.</p>	<p>Analysis OAI notes that this is a historical matter and that no further adverse action seems to have been taken on Mr. Nou Sokhon who remains to be part of EdC's management as an executive director. Mr. Hun Monyroth appears to be no longer connected with EdC</p> <p>Risk Rating Low</p>
<p>4. In August 2016, Mr. Eng Kunthea, a CPP provincial working group member and a deputy managing director of EdC was a respondent in a defamation case against Mr. Khim Samorn, an opposition CNRP commune candidate in Pursat province. According to the provincial court document, Mr. Samorn was tried in absentia on 2 March 2017, convicted, and fined 25 million riels (approximately \$6,250). Mr. Samorn denied speaking ill of Mr. Kunthea (who was accused of land-grabbing) and claimed the conviction was politically motivated as it happened during election period.³</p> <p>No further update was found on the matter.</p>	<p>Analysis OAI notes that Mr. Eng Kunthea was the respondent in this case and does not appear to have any effect on EdC's operations.</p> <p>Risk Rating Low</p>

² <https://www.cambodiadaily.com/news/firms-conspired-in-theft-of-state-electricity-EdC-claims-15506/>

³ <https://www.cambodiadaily.com/news/cnrp-commune-candidate-convicted-fined-defamation-case-130445/>

A.3. Other Issues Identified by OAI None	A.4. Action from Project Team N/A	A.5. OAI Analysis and Risk Rating N/A
Conclusion/Recommendation and Overall Risk Rating		
Conclusion and Recommendation		Overall Risk Rating
Based on the information provided, and in the absence of any other ongoing matter that could become an issue, the potential integrity and reputational risk arising from ADB's association with EdC is LOW.		LOW
Other Matters None		Reviewed by CAG
		Reviewed by KY