

Audited Project Financial Statements

Project Number: 43319-033
Loan/Grant Number: L2983-CAM/L8265-CAM/G0335
Period covered: 1 January 2021 to 31 December 2021

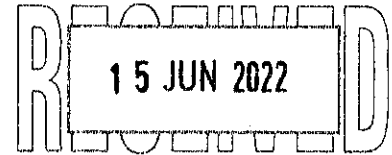
Cambodia: Greater Mekong Subregion Southern Economic Corridor Towns Development Project

Prepared by the Ministry of Public Works and Transport

For the Asian Development Bank
Date received by ADB: 15 June 2022

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB's Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB's Access to Information Policy and as agreed between ADB and the Government of Cambodia.

ASIAN DEVELOPMENT BANK



CAMBODIA RESIDENT MISSION

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

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

Financial Statements
and Statement of Compliance
for the year ended 31 December 2021

Project information

Project title	Greater Mekong Subregion (GMS) Southern Economic Corridor Towns Development Project
Project number	43319-033
Project status	Active
Sector/subsector	Water and other urban infrastructure and services/ Other urban services - Urban flood protection - Urban policy, institutional and capacity development – Urban sewerage - Urban solid waste management
Implementing organisation	ROYAL GOVERNMENT OF CAMBODIA MINISTRY OF PUBLIC WORKS AND TRANSPORT Street 598 (H.E. Chea Sophara Street), Sangkat Chrang Chamres 2, Khan Russey Keo, Phnom Penh
Source of Funding	Asian Development Fund - ADB Loan No. 2983 – CAM (COL) ADB Strategic Climate Fund - ADB Loan No. 8265 – CAM (SCF) - ADB Grant No. 0335 – CAM (SCF) Urban Environmental Infrastructure Fund - Grant No. 0334 – CAM (UEIF) Royal Government of Cambodia
Contract period	8 April 2013 to 31 December 2023
Project costs	US\$54,770,000
Reporting period	For the period from 1 January to 31 December
Principal bankers	National Bank of Cambodia Foreign Trade Bank of Cambodia
Auditors	KPMG Cambodia Ltd

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Contents

	Page
PART I FINANCIAL STATEMENTS	
Statement by the management	1
Report of the Independent Auditors	2 – 4
Statement of receipts and payments	5 – 6
Statement of advance accounts	7 – 9
Notes to the financial statements	10 – 32
Appendix I: Statement of budget versus actual payments	i
PART II INDEPENDENT ASSURANCE REPORT ON COMPLIANCE	
Management assertion	33
Independent reasonable assurance report	34 – 36
Statement of Compliance with the Financing Agreements	37 – 41

PART I

Financial Statements
for the year ended 31 December 2021
and
Report of the Independent Auditors



Ministry of Public Works and Transport

Statement by the Management

I, the undersigned, do hereby state that in my opinion, the accompanying financial statements, which comprises the statement of receipts and payments and statement of advance accounts for the year ended 31 December 2021 and notes as set out on pages 5 to 32 of GMS Southern Economic Corridor Towns Development Project ("the Project"), financed under the Asian Development Bank Loan No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF), ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) and the Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) and implemented by the Ministry of Public Works and Transport ("MPWT", "the Project Management Unit" or "the PMU") present fairly, in all material respects, in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

On behalf of the Project management:

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

Phnom Penh, Kingdom of Cambodia

31 May 2022



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Report of the Independent Auditors To the Ministry of Economy and Finance Royal Government of Cambodia

Opinion

We have audited the accompanying financial statements of the GMS Southern Economic Corridor Towns Development Project ("the Project"), financed under the Asian Development Bank Loan No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF), ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) and the Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) and implemented by the Ministry of Public Works and Transport ("MPWT", "the Project Management Unit" or "the PMU"), which comprises the statement of receipts and payments and statement of advance accounts for the year ended 31 December 2021 and notes, comprising significant accounting policies and other explanatory information as set out on pages 5 to 32 (hereafter referred to as "the financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the cash balance of the Project as at 31 December 2021, and its cash receipts and payments for the year then ended in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

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

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

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

Emphasis of Matter - Restriction on Use

We draw attention to Note 2 to the financial statements, which describes the financial statements are prepared for the information of and use by the management of the Project, the Ministry of Economy and Finance ("MEF") and the Asian Development Bank ("ADB"). As a result, the financial statements may not be suitable for another purpose. Our audit report is intended solely for the management of the Project, MEF and ADB and should not be used by other parties other than the management of the Project, MEF and ADB. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with CPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PMU's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to cease the operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CIsAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PMU's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the PMU to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

31 May 2022

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Statement of receipts and payments for the year ended 31 December 2021

	Note	Year ended 31 December 2021					Total US\$	Year ended 31 December 2020 US\$	Cumulative period from 8 April 2013 to 31 December 2021 US\$
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$			
Receipts									
Asian Development Bank	5(a)	1,913,895	-	-	-	-	1,913,895	12,637,380	28,311,421
ADB Strategic Climate Fund	5(b)	-	284,848	107,867	-	-	392,715	3,025,637	7,861,181
Urban Environment Infrastructure Fund	5(c)	-	-	-	-	-	-	-	1,500,000
Government Counterpart Fund	5(d)	-	-	-	-	27,300	27,300	56,893	421,691
		1,913,895	284,848	107,867	-	27,300	2,333,910	15,719,910	38,094,293
Payments by category and financier									
Civil works	6	1,304,398	281,098	107,867	-	-	1,693,363	14,534,142	30,329,480
Consulting services	7	239,052	12,662	12,752	-	-	264,466	734,932	5,632,188
Non-expendable equipment	8	-	-	-	-	-	-	-	367,282
Incremental administration		31,031	-	-	-	50,344	81,375	101,304	838,939
Interest and Service charge		331,342	3,750	-	-	-	335,092	188,783	704,723
		1,905,823	297,510	120,619	-	50,344	2,374,296	15,559,161	37,872,612
Increase/(Decrease) in Cash		8,072	(12,662)	(12,752)	-	(23,044)	(40,386)	160,749	221,681

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Statement of receipts and payments (continued) for the year ended 31 December 2021

	Note	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 8 April 2013 to 31 December 2021
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$		
Cash at beginning of the year		168,422	34,150	32,245	-	101,318	-
Increase/(Decrease) in Cash		8,072	(12,662)	(12,752)	-	160,749	221,681
Cash at end of the year	4	176,494	21,488	19,493	-	262,067	221,681
						US\$	US\$
						262,067	221,681
						(40,386)	
						4,206	
						221,681	



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

Phnom Penh, Kingdom of Cambodia
31 May 2022



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

Phnom Penh, Kingdom of Cambodia
31 May 2022

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Statement of advance accounts for the year ended 31 December 2021

	Note	Year ended 31 December 2021				Total US\$	Year ended 31 December 2020		Cumulative period from 8 April 2013 to 31 December 2021
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$		US\$	US\$	
Part A									
Beginning cash balance		168,422	34,150	32,245	-	234,817	73,988	-	-
Receipt:									
Initial Advance		125,451	-	-	-	125,451	231,012	305,000	806,723
Amount replenished by ADB		293,873	34,150	32,245	-	360,268	305,000	1,111,723	
Payments made from advance									
Accounts									
Civil works		-	-	-	-	-	25,853	64,633	
Consulting services		86,348	12,662	12,752	-	111,762	-	371,164	
Non-expendable equipment		-	-	-	-	-	-	27,976	
Incremental administration		31,031	-	-	-	31,031	44,330	430,475	
		117,379	12,662	12,752	-	142,793	70,183	894,248	
Ending cash balance		176,494	21,488	19,493	-	217,475	234,817	217,475	

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Statement of advance accounts (continued) for the year ended 31 December 2021

	Note	Year ended 31 December 2021				Total US\$	Year ended 31 December 2020		Cumulative period from 8 April 2013 to 31 December 2021
		Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$		US\$	US\$	
Part B – Advance account reconciliation									
Initial advance	A	238,605	34,150	32,245	-	305,000	305,000	305,000	
Balance of advance account as of 31 December per bank statement		176,494	21,488	19,493	-	217,475	234,817	217,475	
Less: Outstanding cheque		-	-	-	-	-	-	-	
Add: Petty cash balance		-	-	-	-	-	-	-	
Total cash balance	B	176,494	21,488	19,493	-	217,475	234,817	217,475	
Add: Amount of eligible expenditure claimed during the year	C	-	-	-	-	-	-	-	
Add: Amount claimed in previous year not yet credited at date of bank statement	D	-	-	-	-	-	-	-	
Less: Interest income	E	-	-	-	-	-	-	-	

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),
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Statement of advance accounts (continued) for the year ended 31 December 2021

Note	Loan No. 2983 US\$	Loan No. 8265 US\$	Year ended 31 December 2021		Total US\$	Year ended 31 December 2020 US\$	Cumulative period from 8 April 2013 to 31 December 2021 US\$
			Grant No. 0335 US\$	Grant No. 0334 US\$			
Total amount withdrawn from the advance account but not yet claimed for replenishment (a+b+c+d)	F	62,111	12,662	-	87,525	70,183	87,525
a. Sub-accounts	-	-	-	-	-	70,183	-
b. Transfer in transit	-	-	-	-	-	-	-
c. Current year withdrawn from advance Accounts but not yet claimed for replenishment	62,111	12,662	12,752	-	87,525	-	87,525
d. Other— Previous year withdrawn from account but not yet claimed for replenishment	-	-	-	-	-	-	-
Total advance accounted for (B+C+D+E+F)	238,605	34,150	32,245	-	305,000	305,000	305,000



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

Phnom Penh, Kingdom of Cambodia

31 May 2022

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



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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements for the year ended 31 December 2021

1. Background and activities

The financing agreements (“the Agreements”) for GMS Southern Economic Corridor Towns Development Project (“the Project”) between the Asian Development Bank (“ADB”) and the Royal Government of Cambodia (“RGC”) (represented by the Ministry of Economy and Finance (“MEF”)) was signed on 8 April 2013. The Ministry of Public Works and Transport (“MPWT” or “PMU”) is responsible for the implementation of this Project. The agreement includes ADB Loan No. 2983 – CAM (COL), ADB Strategic Climate Fund Loan No. 8265 – CAM (SCF) and ADB Strategic Climate Fund Grant No. 0335 – CAM (SCF) in which ADB is acting in its capacity as an implementing agency of the Strategic Climate Fund (“SCF”), Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF), whereby the ADB agreed to offer loan and grant amounting to Special Drawing Rights 24,023,000 (US\$37,000,000 equivalent at the time of loan negotiation); US\$5,000,000; US\$4,400,000 and US\$1,500,000; respectively. RGC has committed to contribute US\$6,870,000, therefore, the Project’s estimated cost in total is US\$54,770,000.

The effective date of the Project was 8 April 2013 and was expected to be completed by 30 June 2019. On 3 April 2017, the Project requested to the MEF to extend the Project’s completion from 30 June 2019 to 30 June 2021. Later on, the Project requested another extension to 31 December 2023. The extension of the closing date was approved by ADB on 10 December 2020. The Urban Environmental Infrastructure Fund Grant No. 0334 – CAM (UEIF) has been formally closed on 30 June 2019. The Grant proceeds were 100% utilised. The request was approved by the ADB on 8 July 2019.

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

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

1. Background and activities (continued)

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

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

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

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

1. Background and activities (continued)

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

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

Category No. Original Revised	Item	Original allocation		Original % basis for withdrawal from Loan Account	Revised allocation (5 August 2021)		Revised % basis for withdrawal from Loan Account
		Category	Sub-category		Category	Sub-category	
1	1 Work	18,451,000			19,709,406		
	1A Battambang/Prey Veng Storm Drainage		11,510,000			5,375,777	62.4%*
	1B Road & Solid waste management		6,941,000			6,880,696	100.0%*
	1A Battambang wastewater treatment		6,247,000				
	1D Borey urban roads		5,010,000				
	1F Prey Veng wastewater treatment		1,576,000				
	1C Borey wastewater treatment		1,277,000				
	1G Prey Veng solid waste management		1,931,000				
	1H Borey storm Drainage/Prey Veng flood control					7,452,933	77.03%*
	1E Prey Veng flood control		1,581,000				
	1B Battambang flood control		829,000				
2	2 Consulting services	2,436,480			3,164,254		
	2A Project implementation support and capacity development		986,000	71.5%		2,022,393	71.5%*
	2B Detailed engineering design		580,519	77.6%		451,736	77.6%*
	2C Consultant supervision		788,961	77.6%		427,947	58.0%*
	2D External monitoring		81,000	100.0%			
	2E Consultant supervision					262,178	100.0%
3	3 Equipment	227,273			262,255		100.0%
4	4 Training	97,403					
5	5 Incremental administration	467,532			305,085		
	5A Project management unit		233,766	81.3%		217,665	100.0%
	5B Project implementation unit		233,766	81.1%		87,420	100.0%
6	6 Unallocated	1,760,948					
	7 Interest during construction	582,000			582,000		100.0%**
	Total	24,023,000			24,023,000		

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

** Total amount due.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

1. Background and activities (continued)

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

Category No.	Original	Revised	Item	Original allocation		Original % basis for withdrawal from Loan Account	Revised allocation (5 August 2021)		Revised % basis for withdrawal from Loan Account
				Category	Sub-category		Category	Sub-category	
1	1	1	Work	3,780,000			4,086,055		
		1A	Battambang/Poipet Storm Drainage					1,828,652	15.3%*
	1A		Battambang wastewater treatment		1,745,000	13.6%			
	1E		Poipet Loeung wastewater treatment		609,000	17.0%			
		1H	Bavet Storm Drainage/Neak Loeng flood control					2,257,403	16.6%*
	1C		Bavet wastewater treatment		494,000	17.0%			
	1D		Neak Loeng flood control		611,000	17.0%			
	1B		Battambang flood control		321,000	17.0%			
2	2		Consulting services	623,000			899,654		
	2A		Project implementation support and capacity development		300,000			577,670	14.2%*
	2B		Detailed engineering design		139,000	14.2%		98,080	12.1%*
	2C		Consultant supervision		184,000	12.1%		223,904	0.0%*
3	3		Incremental administration	80,000			1,291		
		3A	Project management unit		40,000	9.0%		1,291	
		3B	Project implementation unit		40,000	9.0%			
4	4		Interest during construction	13,000		13.9%	13,000		100%**
5	5		Unallocated	504,000		1.5%**			
			Total	5,000,000			5,000,000		

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

** Total amount due.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

ADB Loan No. 2983 – CAM (COL), ADB SCF Loan No. 8265 – CAM (SCF),

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Notes to the financial statements (continued) for the year ended 31 December 2021

1. Background and activities (continued)

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

Category No.	Original	Revised	Item	Original allocation		Original % basis for withdrawal from Grant Account	Revised allocation (5 August 2021)		Revised % basis for withdrawal from Grant Account
				Category	Sub-category		Category	Sub-category	
1	1	1	Work	3,270,000			3,531,513		
		1A	Battambang/Poipet Storm Drainage						
	1A		Battambang wastewater treatment		1,481,000	11.5%		2,665,290	22.3%*
	1E		Poipet wastewater treatment		536,000	15.0%			
	1C		Bavet wastewater treatment		434,000	15.0%			
	1D		Neak Loeng flood control		537,000	15.0%			
	1H		Bavet Storm Drainage/Neak Loeng flood control					866,223	6.3%*
	1B		Battambang flood control		282,000	15.0%			
2	2	2	Consulting services	590,000			867,096		
	2A	2A	Project implementation support and capacity development		304,000	14.3%		580,058	14.3%*
	2B	2B	Detailed engineering design		119,000	10.3%		83,489	10.3%*
	2C	2C	Consultant supervision		167,000	10.7%		203,549	0.0%*
	2D	2D	External monitoring						
3	3	3	Incremental administration	87,000			1,391		
	3A		Project management unit		43,000	9.7%		1,391	
	3B		Project implementation unit		44,000	9.9%			
4	4	4	Unallocated	453,000		12.5%			
			Total	4,400,000			4,400,000		

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued)
for the year ended 31 December 2021

1. Background and activities (continued)

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

Category No.		Item	Original allocation		Original % basis for withdrawal from Grant Account	Revised allocation (5 August 2021)		Revised % basis for withdrawal from Grant Account
Original	Revised		Category	Sub-category		Category	Sub-category	
1	1	Work	1,254,000			1,500,000		
	1A	Material recovery facilities					1,500,000	100% *
1A		Battambang material recovery facilities		430,000	100%			
1B		Bavet material recovery facilities		382,000	100%			
1C		Poipet material recovery facilities		442,000	100%			
2		Consulting services	109,000					
2A		Battambang material recovery facilities		37,000	100%			
2B		Bavet material recovery facilities		33,000	100%			
2C		Poipet material recovery facilities		39,000	100%			
3	3	Unallocated	137,000					
		Total	1,500,000			1,500,000		

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

2. Basis of accounting

(a) Statement of compliance

The financial statements have been prepared in accordance with the Cash Basis of Accounting of Cambodian Public Sector Accounting Standards ("CPSAS").

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

(b) Basis of measurement

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

3. Significant accounting policies

(a) Fund receipts and payments

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

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

(b) Statement of advance account

The statement of advance account is prepared in accordance with the Loan and Grant Agreements and is purely used to receive and disburse for expenditure financed by the ADB loan and grant proceeds.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

3. Significant accounting policies (continued)

(c) Non-expendable equipment

The cost of non-expendable equipment is charged to the statement of receipts and payments and the statement of advance accounts upon acquisition. For control and management purposes, a memorandum account for non-expendable equipment is maintained by way of a non-expendable equipment listing.

(d) Interest charge/Service charge

The interest/service charged by the ADB is a direct payment, and accounted for in the statement of receipts and payments as receipts with corresponding payment category.

(e) Foreign currency transactions

The Project transacts its operations and maintains its accounting records primarily in United States Dollars ("US\$"). Transactions in currencies other than US\$ are converted into US\$ at the rates of exchange prevailing on the transaction dates published by the National Bank of Cambodia.

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

(f) In-kind Contribution

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

4. Cash

Cash comprises cash at bank with Foreign Trade Bank of Cambodia ("FTB") and the National Bank of Cambodia ("NBC").

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

	As at 31 December 2021				As at 31 December 2020	
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$
Advance account – ADB (*)	176,494	21,488	19,493	-	-	217,475
Advance account – RGC (**)	-	-	-	-	4,206	4,206
	<u>176,494</u>	<u>21,488</u>	<u>19,493</u>	<u>-</u>	<u>4,206</u>	<u>221,681</u>
						<u>234,817</u>
						<u>27,250</u>
						<u>262,067</u>

(*) This represents bank balances maintained in a separate bank account with the FTB.

(**) This represents bank balance maintained in a separate bank account with the NBC.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

5. Receipts

(a). Asian Development Bank

	Year ended 31 December 2021					Year ended 31 December 2020		Cumulative period from 8 April 2013 to 31 December 2021
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$	US\$	US\$
ADB								
Advance account ^(**)	125,451	-	-	-	-	125,451	175,534	721,516
Initial advances	-	-	-	-	-	-	-	238,605
	125,451	-	-	-	-	125,451	175,534	960,121
Direct payments ^(*)	1,788,444	-	-	-	-	1,788,444	12,461,846	27,351,300
	1,913,895	-	-	-	-	1,913,895	12,637,380	28,311,421

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

5. Receipts (continued)

(b) ADB Strategic Climate Fund

	Loan No. 2983 US\$	Loan No. 8265 US\$	Year ended 31 December 2021			Total US\$	Year ended 31 December 2020		Cumulative period from 8 April 2013 to 31 December 2021
			Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$		US\$	US\$	
ADB									
Advance account (**)	-	-	-	-	-	-	55,478	85,207	
Initial advances	-	-	-	-	-	-	-	66,395	
Sub-total	-	-	-	-	-	-	55,478	151,602	
Direct payments (*)	-	284,848	107,867	-	-	392,715	2,970,159	7,709,579	
	-	284,848	107,867	-	-	392,715	3,025,637	7,861,181	

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

5. Receipts (continued)

(c) Urban Environment Infrastructure Fund

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 8 April 2013 to 31 December 2021
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	Total US\$	
ADB						
Direct payments (*)	-	-	-	-	-	US\$ 1,500,000

(d) Government Counterpart Fund

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 8 April 2013 to 31 December 2021
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	Total US\$	
RGC						
Advance account (**)	-	-	-	-	56,893	371,691
Initial advances	-	-	-	-	-	50,000
Total	-	-	-	-	56,893	421,691

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

5. Receipts (continued)

(d) Government Counterpart Fund

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

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

6. Civil works

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 8 April 2013 to 31 December 2021
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$		
					US\$	US\$
Direct payments:						
Storm Drainage	-	-	-	-	8,869,538	17,546,344
Urban Road	-	-	-	-	5,444,856	9,331,245
Solid Waste Management	-	-	-	-	193,895	1,693,895
Flood Control	1,304,398	281,098	107,867	-	-	1,693,363
	<u>1,304,398</u>	<u>281,098</u>	<u>107,867</u>	<u>-</u>	<u>14,508,289</u>	<u>30,264,847</u>

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued)
for the year ended 31 December 2021

6. Civil works (continued)

	Year ended 31 December 2021				Year ended 31 December 2020	Cumulative period from 8 April 2013 to 31 December 2021
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$
Advance account	-	-	-	-	-	-
Solid Waste Management	1,304,398	281,098	107,867	-	-	1,693,363
					25,853	64,633
					14,534,142	30,329,480

During the year, there was advance payments of US\$1,109,481 made to the contractor, out of which US\$998,533 has not been liquidated as at 31 December 2021 (31 December 2020: nil). Refer to Note 11 for details.

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

7. Consulting services

	Year ended 31 December 2021					Year ended 31 December 2020		Cumulative period from 8 April 2013 to 31 December 2021
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$	US\$	US\$
Direct payments:								
Project implementation support and capacity development	-	-	-	-	-	-	404,050	3,334,663
Construction supervision	152,704	-	-	-	-	152,704	330,882	1,106,768
Detail Engineering Design	-	-	-	-	-	-	-	810,572
	152,704	-	-	-	-	152,704	734,932	5,252,003
Advance account:								
Audit	-	-	-	-	-	-	-	9,020
Project implementation support and capacity development	63,758	12,662	12,752	-	-	89,172	-	284,897
Construction supervision	22,590	-	-	-	-	22,590	-	86,267
	86,348	12,662	12,752	-	-	111,762	-	380,184
	239,052	12,662	12,752	-	-	264,466	734,932	5,632,188

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

8. Incremental administration

	Year ended 31 December 2021				Year ended 31 December 2020		Cumulative period from 8 April 2013 to 31 December 2021	
	Loan No. 2983 US\$	Loan No. 8265 US\$	Grant No. 0335 US\$	Grant No. 0334 US\$	RGC US\$	Total US\$	US\$	US\$
Advance accounts:								
Project Management Unit	31,031	-	-	-	22,184	53,215	67,103	523,646
Project Implementation Unit	-	-	-	-	28,160	28,160	34,201	315,293
	<u>31,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,344</u>	<u>81,375</u>	<u>101,304</u>	<u>838,939</u>

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

9. Statement of disbursement

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

	Note	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$	Cumulative period from 8 April 2013 to 31 December 2021 US\$
ADB Fund claims during the year/period				
Direct payments		2,181,159	15,432,005	36,560,879
Advance accounts		125,451	231,012	806,723
Initial advance		-	-	305,000
Subtotal	(A)	<u>2,306,610</u>	<u>15,663,017</u>	<u>37,672,602</u>
Total payments made during the year	(B)	2,374,296	15,559,161	37,872,612
<i>Payments made out of Government Counterpart Fund</i>	(C)	(50,344)	(56,973)	(417,485)
<i>Payments during the year but not yet claimed</i>	(D)	(87,525)	(70,183)	(87,525)
<i>Payments claimed in previous year, received in current year</i>	(E)	70,183	231,012	-
<i>Initial advance remains unused</i>	(F)	-	-	-
Total eligible expenditure claimed (A=G-B+C+D+E+F)	(G)	<u>2,306,610</u>	<u>15,663,017</u>	<u>37,672,602</u>

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

10. Payments by category and financiers

Particulars	ADB Loan No. 2983 – CAM		ADB SCF Loan No. 8265 – CAM		ADB SCF Grant No. 0335 – CAM		ADB UEIF Grant No. 0334 – CAM		RGC		Total
	% of financing	Actual expenditure US\$	% of financing	Actual expenditure US\$	% of financing	Actual expenditure US\$	% of financing	Actual expenditure US\$	% of financing	Actual expenditure US\$	
Civil Work											US\$
Battambang Storm drainage	-	-	-	-	-	-	-	-	-	-	-
Poi Pet Storm drainage	-	-	-	-	-	-	-	-	-	-	-
Bavet storm drainage	-	-	-	-	-	-	-	-	-	-	-
Neak Loetung flood control	77.03	1,304,398	16.60	281,098	6.37	107,867	-	-	-	-	1,693,363
Subtotal Storm Drainage		1,304,398		281,098		107,867					1,693,363
Urban road	-	-	-	-	-	-	-	-	-	-	-
Solid waste management	-	-	-	-	-	-	-	-	-	-	-
Consulting services											
Project implementation support and capacity development	71.50	63,759	14.20	12,662	14.30	12,752	-	-	-	-	89,173
Construction supervision	100.00	175,293	-	-	-	-	-	-	-	-	175,293
Audit	-	-	-	-	-	-	-	-	-	-	-
Non-expendable equipment											
Incremental administration											
Project Management Unit	58.31	31,031	-	-	-	-	-	-	-	41.69	53,216
Project Implementation Unit	-	-	-	-	-	-	-	-	-	100.00	28,160
Interest	98.88	331,342	1.12	3,750	1.12	-	-	-	-	-	335,092
Total payments – for the year ended 31 December 2021		1,905,823		297,510		120,619				50,344	2,374,296
% of total project costs – for the year ended 31 December 2021		5.15%		5.95%		2.74%				3.94%	4.83%
% of cumulative expenses to total project costs – for the period from 8 April 2013 to 31 December 2021		76.04%		77.69%		89.44%				32.66%	77.01%

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

11. Advance to contractors

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

	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$
At beginning of the year	-	1,591,241
Addition for the year		
Civil works	1,109,481	-
Liquidation:		
Civil works	(110,948)	(1,591,241)
At end of the year (*)	<u>998,533</u>	<u>-</u>

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

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued)
for the year ended 31 December 2021

12. Statement of withdrawals

Withdrawal Application				Category						
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB Loan No. 2983 – CAM (COL)										
A0086	Direct Payment	21-Feb-21	US\$	854,633	-	-	-	-	-	854,633
CAP	Direct Payment	1-May-21	US\$	-	-	-	-	131,060	-	131,060
A0087	Direct Payment	20-Sep-21	US\$	-	152,703	-	-	-	-	152,703
A0088	Direct Payment	23-Sep-21	US\$	449,765	-	-	-	-	-	449,765
A0089	Replenishment	27-Oct-21	US\$	25,853	36,794	-	62,805	-	-	125,452
CAP	Direct Payment	1-Nov-21	US\$	-	-	-	-	200,282	-	200,282
Year ended 31 December 2021 (a)				1,330,251	189,497	-	62,805	331,342	-	1,913,895
Year ended 31 December 2020				11,833,697	497,406	-	120,155	186,122	-	12,637,380
Cumulative period from 8 April 2013 to 31 December 2021				22,661,551	3,933,017	367,282	415,238	695,728	238,605	28,311,421
ADB SCF Loan No. 8265 – CAM (SCF)										
B0086	Direct Payment	21-Feb-21	US\$	184,174	-	-	-	-	-	184,174
CAP	Direct Payment	1-May-21	US\$	-	-	-	-	1,836	-	1,836
B0088	Direct Payment	23-Sep-21	US\$	96,924	-	-	-	-	-	96,924
CAP	Direct Payment	1-Nov-21	US\$	-	-	-	-	1,914	-	1,914
Year ended 31 December 2021 (b)				281,098	-	-	-	3,750	-	284,848
Year ended 31 December 2020				1,509,882	158,495	-	-	2,661	-	1,671,038
Cumulative period from 8 April 2013 to 31 December 2021				3,038,414	823,298	-	1,290	8,995	34,150	3,906,147

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued)
for the year ended 31 December 2021

12. Statement of withdrawals (continued)

Withdrawal Application				Category						
No	Description	Date	Currency	Civil works	Consulting services	Non-expendable equipment	Incremental administration	Interest charge	Initial Advance	Total
ADB SCF Grant No. 0335 – CAM (SCF)										
D0086	Direct Payment	21-Feb-21	US\$	70,674	-	-	-	-	-	70,674
D0088	Direct Payment	23-Sep-21	US\$	37,193	-	-	-	-	-	37,193
	Year ended 31 December 2021 (c)		US\$	107,867	-	-	-	-	-	107,867
	Year ended 31 December 2020		US\$	1,203,490	151,109	-	-	-	-	1,354,599
	Cumulative period from 8 April 2013 to 31 December 2021		US\$	3,129,515	791,883	-	1,391	-	32,245	3,955,034
UEIF Grant No. 0334 – CAM (UEIF)										
	Year ended 31 December 2021 (d)		US\$	-	-	-	-	-	-	-
	Year ended 31 December 2020		US\$	-	-	-	-	-	-	-
	Cumulative period from 8 April 2013 to 31 December 2021		US\$	1,500,000	-	-	-	-	-	1,500,000
Government Counterpart Fund										
R0012	Replenishment	25-May-21	US\$	-	-	-	27,300	-	-	27,300
	Year ended 31 December 2021 (e)		US\$	-	-	-	27,300	-	-	27,300
	Year ended 31 December 2020		US\$	-	-	-	56,893	-	-	56,893
	Cumulative period from 8 April 2013 to 31 December 2021		US\$	-	-	-	371,691	-	50,000	421,691
	Grand total (a+b+c+d+e)		US\$	1,719,216	189,497	-	90,105	335,092	-	2,333,910
	Cumulative period from 8 April 2013 to 31 December 2021		US\$	30,329,480	5,548,198	367,282	789,610	704,723	355,000	38,094,293



H.E. Vong Pisith
Project Director



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia
31 May 2022

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

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

13.1. Receipts from selling bid to documents

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

	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$	Cumulative period from 8 April 2013 to 31 December 2021 US\$
Receipt	-	2,000	2,000
Transferred to NTD	-	2,000	2,000
Change in cash	-	-	-

13.2. In-kind contribution

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

	Year ended 31 December 2021 US\$	Year ended 31 December 2020 US\$	Cumulative period from 8 April 2013 to 31 December 2021 US\$
Office space expense	32,544	32,544	227,808
Utilities	17,201	17,201	120,406
Salaries of project staff	87,132	87,132	530,700
Taxes and Duties			
Withholding Taxes	37,403	104,329	801,085
Value Added Tax	169,336	1,453,414	3,094,474
	<u>343,616</u>	<u>1,694,620</u>	<u>4,774,473</u>

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Notes to the financial statements (continued) for the year ended 31 December 2021

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

13.3. Payment commitments

As at 31 December 2021, the Project had the following payment commitments:

	As at 31 December 2021 US\$	As at 31 December 2020 US\$
Contracted, but not yet paid:		
Civil works	5,703,176	7,396,539
Consulting services	<u>543,422</u>	<u>419,013</u>
	<u>6,246,598</u>	<u>7,815,552</u>

Ministry of Public Works and Transport

GMS Southern Economic Corridor Towns Development Project

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

Unaudited

Appendix I: Statement of budget versus actual payments for the year ended 31 December 2021

No.	Description	Year ended 31 December 2021			Year ended 31 December 2020			Cumulative period from 8 April 2013 to 31 December 2021		
		Budget US\$	Actual US\$	Variance US\$	% of variance	Budget US\$	Actual US\$	Variance US\$	% of variance	% of variance
1	Civil works	1,705,590	1,693,363	12,197	1%	15,113,916	14,534,142	579,774	4%	54%
2	Consulting services	278,295	284,466	13,829	5%	769,230	734,932	34,298	4%	37%
3	Equipment	-	-	-	0%	-	-	-	0%	-108%
4	Training	-	-	-	0%	-	-	-	0%	100%
5	Incremental administration	96,922	81,375	14,547	15%	114,626	101,304	13,322	12%	26%
6	Service charge	-	-	-	0%	-	-	-	-	100%
7	Unallocated	-	-	-	0%	-	-	-	0%	100%
8	Interest during construction	341,500	335,092	6,408	2%	188,783	188,783	-	0%	29%
9	Land acquisition and settlement*	-	-	-	0%	-	-	-	0%	100%
10	Physical contingency*	-	-	-	0%	-	-	-	0%	100%
	Total	2,421,277	2,374,296	46,981	2%	16,186,555	15,559,161	627,394	4%	54%

* Expenditure funded by RGC's contribution.



H.E. Vong Pisith
Project Director



Mr. Mao Dor
Financial Management Specialist

Phnom Penh, Kingdom of Cambodia

31 May 2022